

Findings From The 2002 Wave Of e-file Taxpayer & Preparer Satisfaction Research

Task 155



Prepared for

*The Internal Revenue Service
and
Cossette Post Advertising*

Prepared by

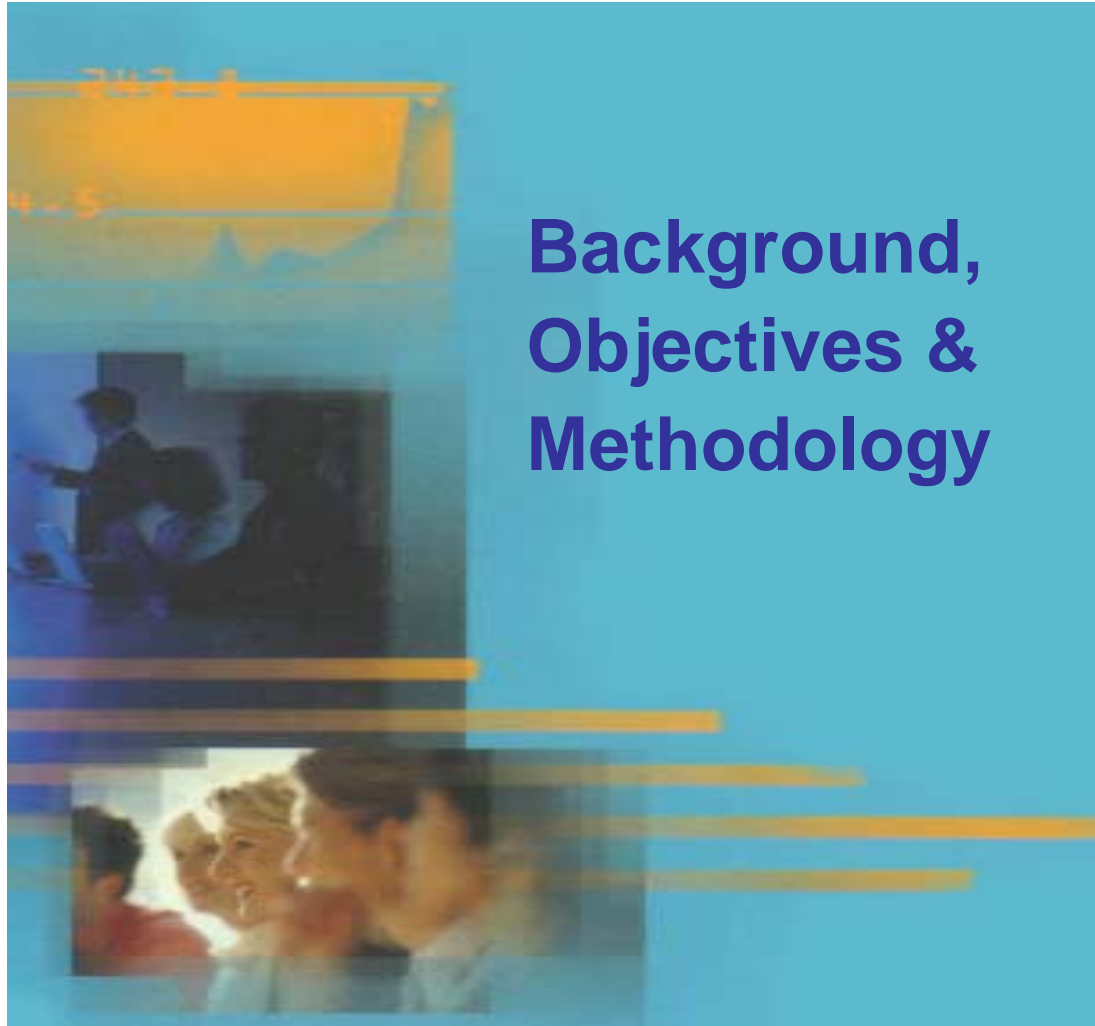
Russell Marketing Research, Inc.

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RMR

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Background, Objectives & Methodology

Background & Objectives

- To track progress in meeting the Y2007 80% goal, the ETA conducts customer satisfaction research **each year among two targets**:
 - **Taxpayers** -- Taxpayers in general and Taxpayers who use ETA products.
 - **And Tax Preparers** -- both e-file Users (EROs) and Non-Users.
- There are **two main objectives** to this research:
 1. ***Track levels of customer satisfaction with ETA products.***
 2. ***Capture e-file User and Non-User ideas about product improvement.***
- Following are **findings from the 2002 wave** of the research, with a comparison to findings from the surveys conducted in 1999, 2000 and 2001.

Methodology

- Each wave of research is conducted by telephone from RMR's national interviewing facility in Wayne NJ.
- The current wave was conducted during the period of January 28 to March 5, 2002.
- Each wave consists of...
 - ◆ Taxpayers -- a nationally-representative Random Sample of **1000 US Taxpayers** drawn from a computer-generated list of listed and unlisted phone HHs. All had to qualify as age 18-64, employed, and filing taxes in the previous tax year (2001).
 - With readable sub-samples of ~500 Users of each e-file product -- secured using IRS-provided lists of each type of User.
 - ◆ And Preparers -- each wave includes a nationally-representative sample of ~500 e-file Users and ~500 Non-Users. All have to qualify as being active tax return preparers.

Methodology (Cont'd.)

- **Note: there was a methodological change in this year's study related to the source of lists used in screening Preparers who are Non-Users of *e-file*.**
 - In the past, both Preparers who are *e-file* Users (EROs) and the Non-Users were drawn from the IRS's Applicants Database (ADB). However, the number of Non-Users in the ADB has grown smaller each year, leaving us with an ever-decreasing number of interviews with Non-Users.
 - This year, with the IRS's new, comprehensive Practitioner Master File available for the first time, we changed Non-User sourcing as follows: first, we conducted as many Non-User interviews as possible using the ADB Non-User list and then, after exhausting that list, we moved on to the new Master File and completed the balance of the 500 Non-User interviews using that list.
 - The intent was to draw a readable sub-sample from the ADB and a readable sub-sample from the Master File and then compare results from the two to see the impact on data from using two different lists. However, the ADB list yielded only 38 total interviews -- too few for comparing results from the two lists. Instead, we have included all 500 interviews in our analysis and noted where differences vs. the past may have been due to the change in source list.
 - In subsequent waves (2003 and on), the entire Non-User sample will be drawn from the Practitioner Master File.

Guide To Statistical Notation Used In Report

- Indicates a significant increase from year to year (95% confidence level).
- Indicates a significant decrease from year to year (95% confidence level).
- Dashed boxes are also sometimes used to highlight groups of data or trends.



Findings Among Taxpayers

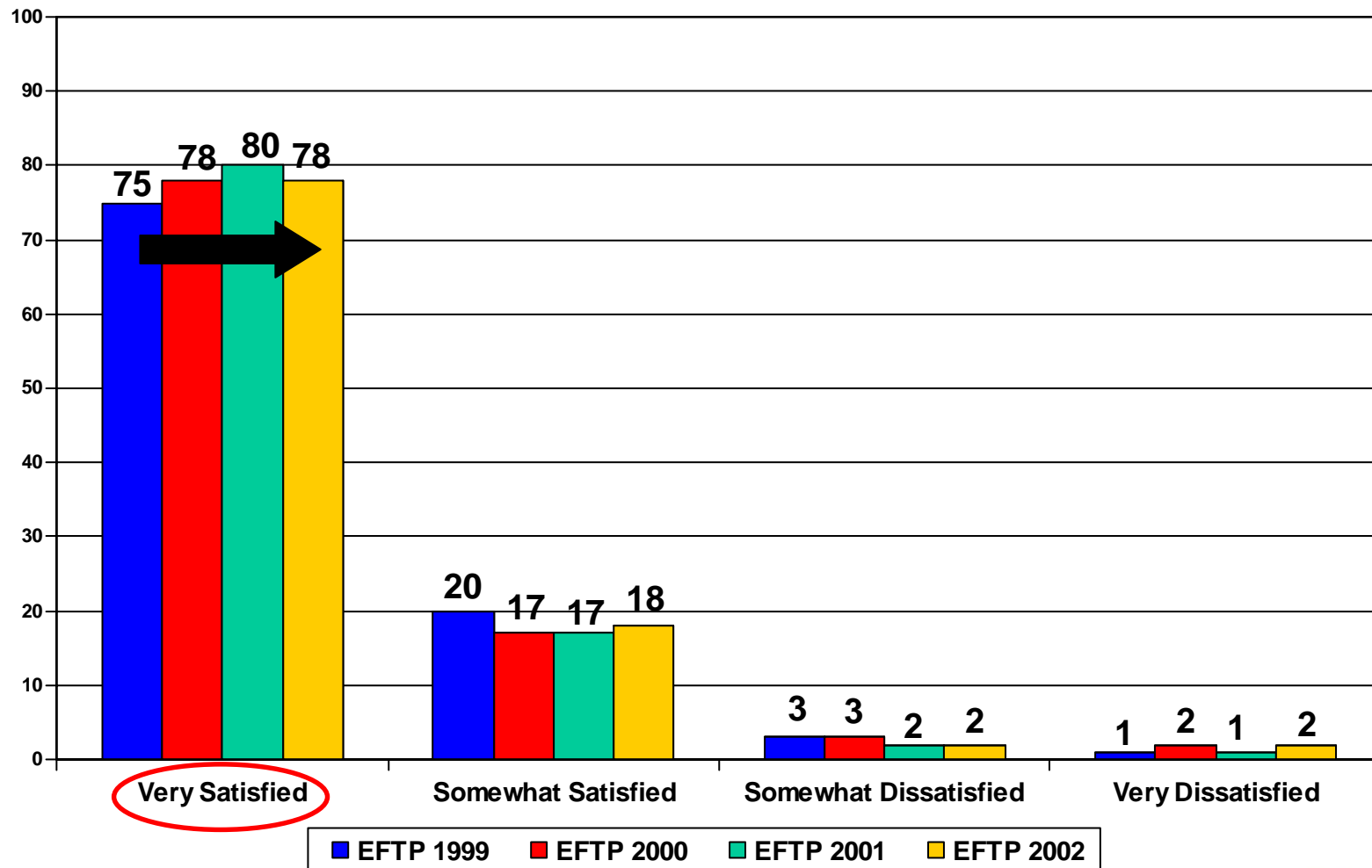


User Satisfaction With *e-file* Products

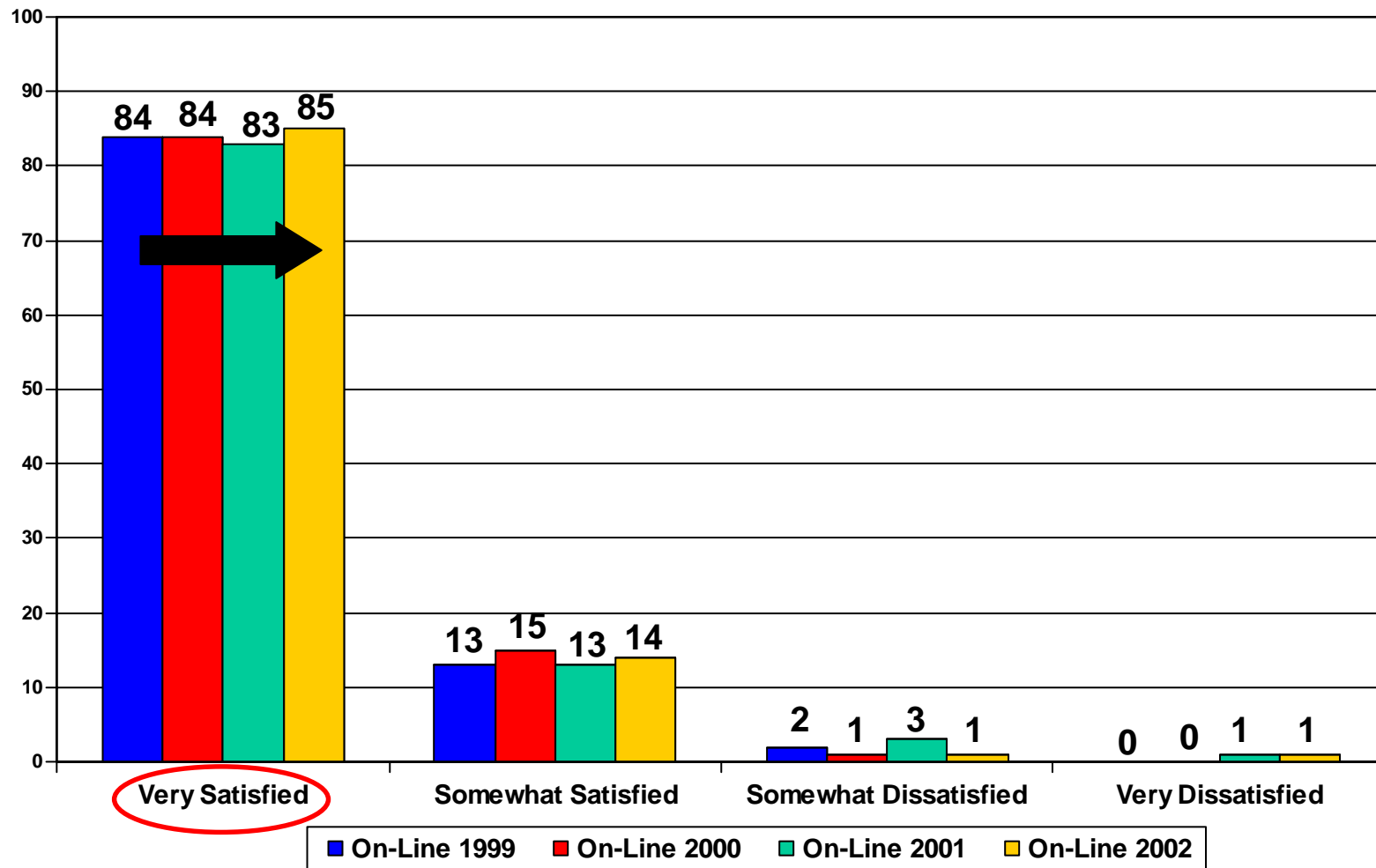
The Satisfaction Measures

- 2002 results show no significant changes in the high satisfaction scores of the three *e-file* products...
 - The percentage of Users rating themselves “very satisfied” remains quite stable within a range of 78-86% for each product.
 - Although it is difficult to find a comparable product among private sector products and services, the e-file satisfaction scores we see here appear to be quite high. (The RMR norm for strong satisfaction is 70-80% -- depending of course on the product category).
 - Now, the complete rating for each ETA product...

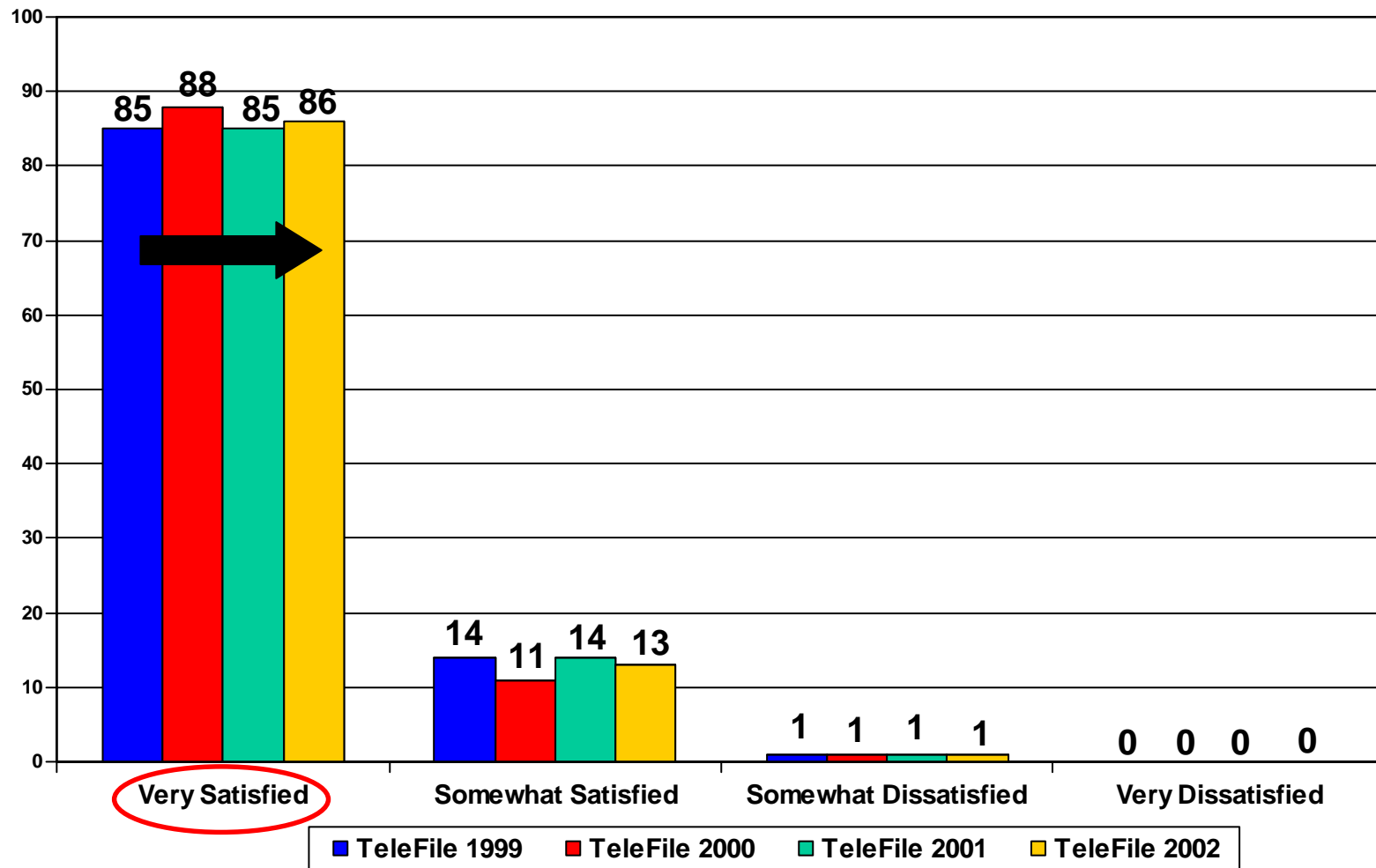
Levels Of Satisfaction With *e-file* via Tax Professional



Levels Of Satisfaction With *e-file* via On-Line Filing



Levels Of Satisfaction With e-file via TeleFile



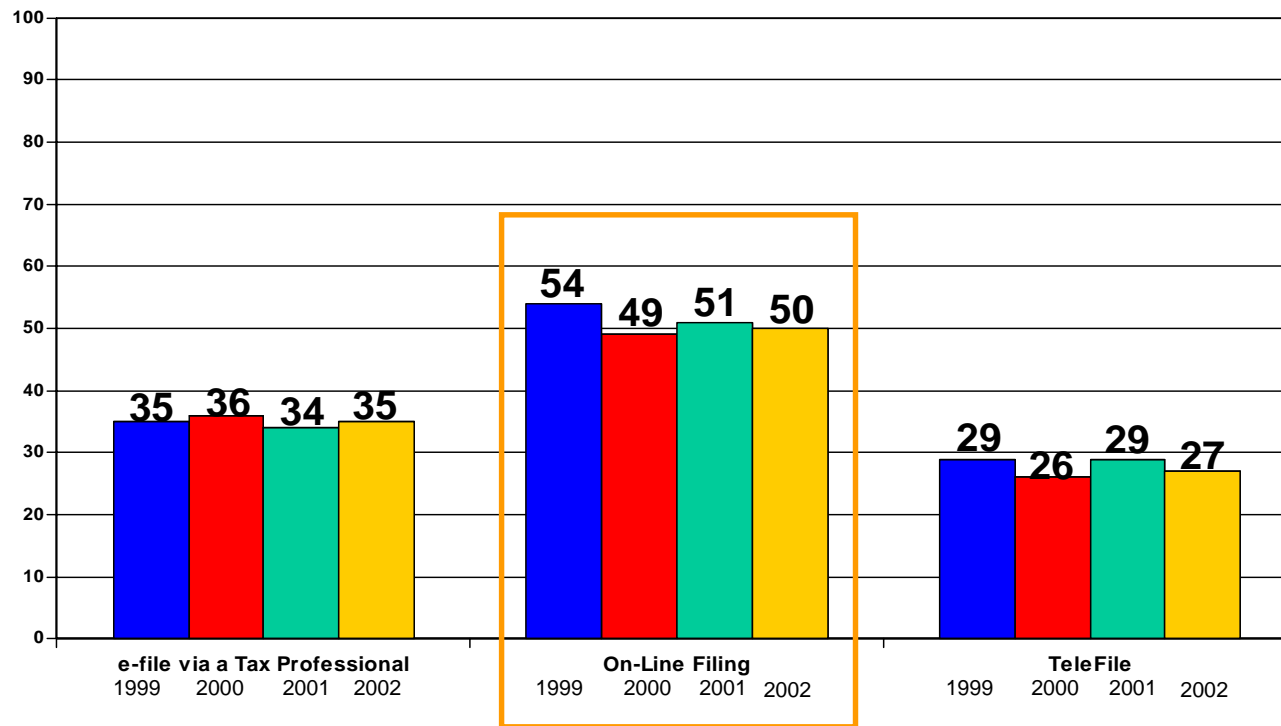
There Is Also High Satisfaction With Most Product Characteristics

- With few changes in ratings from year to year for each product, **TeleFile and On-Line Filing** still have higher attribute ratings – on average – than **e-file via a Tax Professional** (which continues to be rated low in terms of **cost**).

BASE:	Total EFVPP Users				Total On-Line Users				Total TeleFile Users			
	1999	2000	2001	2002	1999	2000	2001	2002	1999	2000	2001	2002
	500	502	502	502	500	501	501	502	500	500	503	501
	%	%	%	%	%	%	%	%	%	%	%	%
<i>(Satisfaction) Ranked Ordered By Importance</i>												
Accuracy	81	81	81	83	84	86	87	86	82	82	80	84
Privacy/Security	67	68	72	71	63	67	70	68	74	79	75	79
Easy/As Little Hassle As Possible	80	76	77	78	73	74	71	77	89	90	89	88
Inexpensive	36	40	38	41	62	67	65	68	95	94	95	96
Refund Speed	69	71	74	67	79	77	74	75	77	75	76	69
Filing Speed	82	83	84	85	91	92	91	89	93	92	91	93
Compared To Other Filing Methods	73	74	73	77	84	88	87	88	83	86	84	82
Average Across Original 7 Attributes	70	70	71	72	77	79	78	79	85	85	84	84
Make Tax Payment Electronically	na	62	58	51	na	55	57	54	na	53	52	48
Length Of Your Tax Package	na	48	47	46	na	40	46	45	na	66	62	63

But There Is Still Room For Improvement Of Each Product...

- Each year, we find substantial proportions of Users of each product saying the product can be improved -- about 1/2 for On-Line Filing and about 1/4 to 1/3 for TeleFile and e-file via a Tax Professional.



% Of Users Each Year Who Say Product Can Be Improved

Specifically, How Can The Products Be Improved?

- Similar to past years, we found suggestions for **On-Line Filing** centering around a need for *more ease/convenience/simplicity and lower cost*. For **TeleFile**, it was mainly make it *easier to qualify*, and for **e-file via a Tax Professional**, it was mainly *make it less expensive*. In a new mention this year, we find almost 10% of Users of each product *needing more help/advice in using the product*.

	<u>Total EFVPP Users</u>				<u>Total On-Line Users</u>				<u>Total TeleFile Users</u>			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
BASE:	173	178	172	173	271	247	256	249	144	128	147	134
	%	%	%	%	%	%	%	%	%	%	%	%
<u>Total Making Some Suggestion</u>	<u>89</u>	<u>77</u>	<u>77</u>	<u>80</u>	<u>88</u>	<u>84</u>	<u>86</u>	<u>83</u>	<u>84</u>	<u>86</u>	<u>80</u>	<u>78</u>
<u>Make It Easier/More Convenient (Net)</u>	<u>27</u>	<u>19</u>	<u>21</u>	<u>22</u>	<u>36</u>	<u>40</u>	<u>35</u>	<u>29</u>	<u>53</u>	<u>41</u>	<u>42</u>	<u>39</u>
Expand Qual. -- Include More People	5	2	1	1	7	3	1	2	22	17	12	10
Explain It Better	3	2	6	2	5	7	10	5	10	2	4	5
Simplify It Generally	7	6	5	3	7	13	10	7	6	11	7	5
Cut Down On The Length Of The Forms	5	4	3	3	6	3	4	2	1	1	7	0
Need More Help/Advice With Method	0	0	0	8	0	0	0	8	0	0	0	9
<u>Speed Things Up (Net)</u>	<u>26</u>	<u>21</u>	<u>22</u>	<u>17</u>	<u>13</u>	<u>9</u>	<u>15</u>	<u>10</u>	<u>19</u>	<u>20</u>	<u>16</u>	<u>12</u>
Faster Refunds	11	8	8	6	2	2	3	4	6	6	4	5
Faster Submission Process	5	2	7	2	7	3	6	2	6	4	4	1
Speed Up The Process Generally	9	11	8	9	3	4	6	4	5	7	9	6
<u>Others -- Make It Less Expensive</u>	<u>34</u>	<u>29</u>	<u>18</u>	<u>23</u>	<u>14</u>	<u>13</u>	<u>15</u>	<u>15</u>	0	0	0	0
Eliminate Third Parties	2	2	2	2	14	7	10	6	0	0	0	0

How Can The Products Be Improved? (Cont'd.)

- To be sure we are covering all the areas of possible product improvement, we conduct Gap Analysis each year on the Importance and Satisfaction ratings.
- Here, we compare User *needs*, as expressed in their ratings of what they consider “very important” in a filing method vs. their satisfaction with key attributes of the method they use -- i.e., the attributes they say they are “very satisfied” with.
- Differences between these two ratings show us:
 - Where a product should be improved (**a negative gap of 10+ points**).
 - And where a product is performing well or possibly even over-performing (**a positive gap of 10+ points**).
- The following charts show us the negative and positive gaps for each *e-file* product.

Gaps Between Needs & Satisfaction – e-file w/Tax Professional

% Rating Each Characteristic “Really Important” vs. % “Very” Satisfied For Each Product

BASE:	1999 EFVPP USERS			2000 EFVPP USERS			2001 EFVPP USERS			2002 EFVPP USERS		
	REALLY IMPOR- TANT	VERY SATIS- FIED	GAP	REALLY IMPOR- TANT	VERY SATIS- FIED	GAP	REALLY IMPOR- TANT	VERY SATIS- FIED	GAP	REALLY IMPOR- TANT	VERY SATIS- FIED	GAP
	500 %	500 %	+/(-)	500 %	500 %	+/(-)	502 %	502 %	+/(-)	502 %	502 %	+/(-)
<u>Importance vs. Satisfaction</u>												
Accuracy	94	81	(13)	95	81	(14)	94	81	(13)	94	83	(11)
Privacy/Security	92	67	(25)	90	68	(22)	91	72	(19)	89	71	(18)
Easy/As Little Hassle As Possible	81	80	(1)	81	76	(5)	80	77	(3)	82	78	(4)
Inexpensive	72	36	(36)	72	40	(32)	74	38	(36)	65	41	(24)
Refund Speed	73	69	(4)	78	71	(7)	73	74	+1	69	67	(2)
Filing Speed	72	82	+10	80	83	+3	73	84	+11	68	85	+17
Compared To Other Methods Of Filing	na	73	x	na	74	x	na	73	x	na	77	x
Able To Make Payment Electronically	na	na	x	47	62	+15	43	58	+15	36	51	+15
Length Of Tax Package	na	na	x	na	48	x	na	47	x	na	46	x

Red = Under-Performing vs. Needs Green = Over-Performing vs. Needs



Gaps Between Needs & Satisfaction – On-Line Filing

% Rating Each Characteristic “Really Important” vs. % “Very” Satisfied For Each Product

BASE:	1999 ON-LINE USERS			2000 ON-LINE USERS			2001 ON-LINE USERS			2002 ON-LINE USERS			
	REALLY IMPOR- TANT	VERY SATIS- FIED	GAP +/(-)	REALLY IMPOR- TANT	VERY SATIS- FIED	GAP +/(-)	REALLY IMPOR- TANT	VERY SATIS- FIED	GAP +/(-)	REALLY IMPOR- TANT	VERY SATIS- FIED	GAP +/(-)	
	500 %	500 %		500 %	500 %		501 %	501 %		502 %	502 %		
<u>Importance vs. Satisfaction</u>													
Accuracy	92	84	(8)	95	86	(9)	92	87	(5)	95	86	(9)	
Privacy/Security	87	63	(24)	93	67	(26)	91	70	(21)	90	68	(22)	
Easy/As Little Hassle As Possible	82	73	(9)	84	74	(10)	84	71	(13)	79	77	(2)	
Inexpensive	64	62	(2)	72	67	(5)	67	65	(2)	63	68	+5	
Refund Speed	73	79	+6	75	77	+2	71	74	+3	73	75	+2	
Filing Speed	74	91	+17	80	92	+12	76	91	+15	73	89	+16	
Compared To Other Methods Of Filing	na	84	x	na	88	x	na	87	x	na	88	x	
Being Able To Make Payment Elec.	na	na	x	53	55	+2	53	57	+4	43	54	+11	
Length Of Tax Package	na	na	x	na	40	x	na	46	x	na	45	x	

Red = Under-Performing vs. Needs Green = Over-Performing vs. Needs

Gaps Between Needs & Satisfaction – TeleFile

% Rating Each Characteristic “Really Important” vs. % “Very” Satisfied For Each Product

BASE:	1999 TELEFILE USERS			2000 TELEFILE USERS			2001 TELEFILE USERS			2002 TELEFILE USERS		
	REALLY	VERY	GAP	REALLY	VERY	GAP	REALLY	VERY	GAP	REALLY	VERY	GAP
	IMPOR-	SATIS-		IMPOR-	SATIS-		IMPOR-	SATIS-		IMPOR-	SATIS-	
	TANT	FIED	+/(-)	TANT	FIED	+/(-)	TANT	FIED	+/(-)	TANT	FIED	+/(-)
	500	500		500	500		503	503		501	501	
	%	%		%	%		%	%		%	%	
<u>Importance vs. Satisfaction</u>												
Accuracy	95	82	(13)	94	82	(12)	93	80	(13)	95	84	(11)
Privacy/Security	84	74	(10)	87	79	(8)	84	75	(9)	88	79	(9)
Easy/As Little Hassle As Possible	86	89	+3	87	90	+3	84	89	+5	84	88	+4
Inexpensive	73	95	+22	75	94	+19	71	95	+24	70	96	+26
Refund Speed	73	77	+4	72	75	+3	73	76	+3	70	69	(1)
Filing Speed	79	93	+14	81	92	+11	74	91	+17	74	93	+19
Compared To Other Methods Of Filing	na	83	x	na	86	x	na	84	x	na	82	x
Able To Make Payment Electronically	na	na	x	45	53	+8	39	52	+13	37	48	+11
Length Of Tax Package	na	na	x	na	66	x	na	62	x	na	63	x

Red = Under-Performing vs. Needs Green = Over-Performing vs. Needs

However, There ARE Clear Product Strengths To Communicate

- As we find each year, virtually every User can tell us something they “like” about the e-file product they use – with the strengths of all three products still being speed (in filing and in refund) and ease/convenience. In addition, e-file via a Tax Professional and On-Line Filing have strength in terms of accuracy.

BASE:	Total <u>EFVPP</u> Users				Total <u>On-Line</u> Users				Total <u>TeleFile</u> Users			
	1999 500 %	2000 502 %	2001 502 %	2002 502 %	1999 500 %	2000 501 %	2001 501 %	2002 502 %	1999 500 %	2000 500 %	2001 503 %	2002 501 %
<u>Specific Likes</u>												
<u>Total Like Something</u>	<u>97</u>	<u>97</u>	<u>97</u>	<u>97</u>	<u>99</u>	<u>99</u>	<u>99</u>	<u>99</u>	<u>99</u>	<u>99</u>	<u>99</u>	<u>100</u>
<u>Speed (Net)</u>	<u>60</u>	<u>69</u>	<u>67</u>	<u>64</u>	<u>53</u>	<u>60</u>	<u>60</u>	<u>55</u>	<u>51</u>	<u>67</u>	<u>65</u>	<u>60</u>
Quick Refund	31	27	29	26	23	19	17	19	20	22	19	13
Fast/Quick Way To File	30	35	30	35	30	31	31	32	32	40	42	46
<u>Ease/Convenience (Net)</u>	<u>53</u>	<u>54</u>	<u>47</u>	<u>45</u>	<u>79</u>	<u>76</u>	<u>77</u>	<u>75</u>	<u>82</u>	<u>83</u>	<u>85</u>	<u>79</u>
It's Just Easy/Just Convenient	28	30	22	27	55	40	37	43	66	60	55	62
Someone Else Does The Work For You	16	13	11	10	3	5	2	1	5	2	4	2
<u>More Accurate (Net)</u>	<u>20</u>	<u>15</u>	<u>13</u>	<u>17</u>	<u>6</u>	<u>14</u>	<u>17</u>	<u>13</u>	<u>2</u>	<u>4</u>	<u>6</u>	<u>4</u>
Total Like Nothing	3	2	1	2	1	1	1	0	1	0	0	0

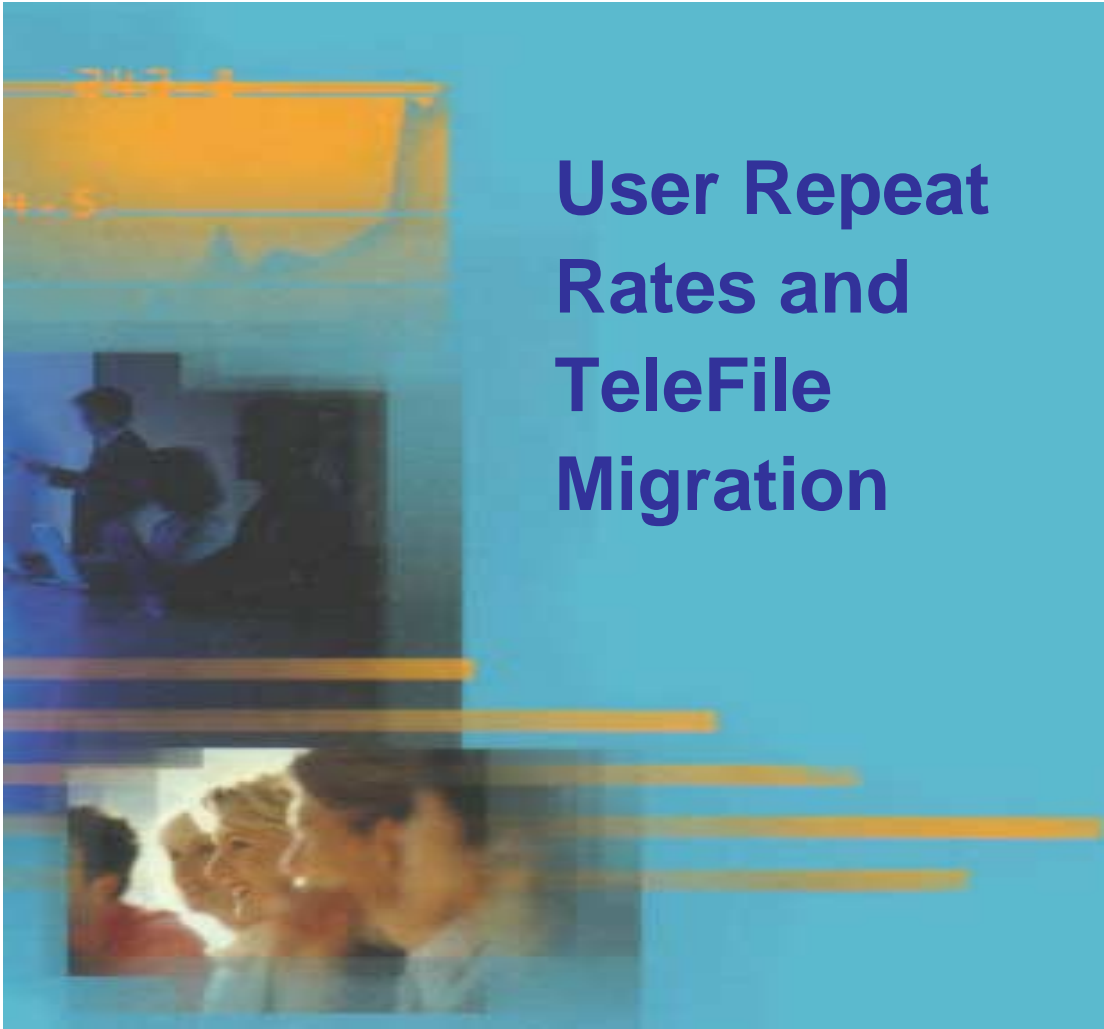


User Recall & Ratings Of IRS Publications, Forms and Instructions

Recall of Publications/Forms/Instructions

- As might be expected, recall of publications, forms, or instructions remains **low** for **e-file via a Tax Professional and On-Line Filing** -- taxpayers using these filing methods do not receive publications, forms or instructions. For **TeleFile** (where users do receive forms and instructions), recall and satisfaction are still strong.

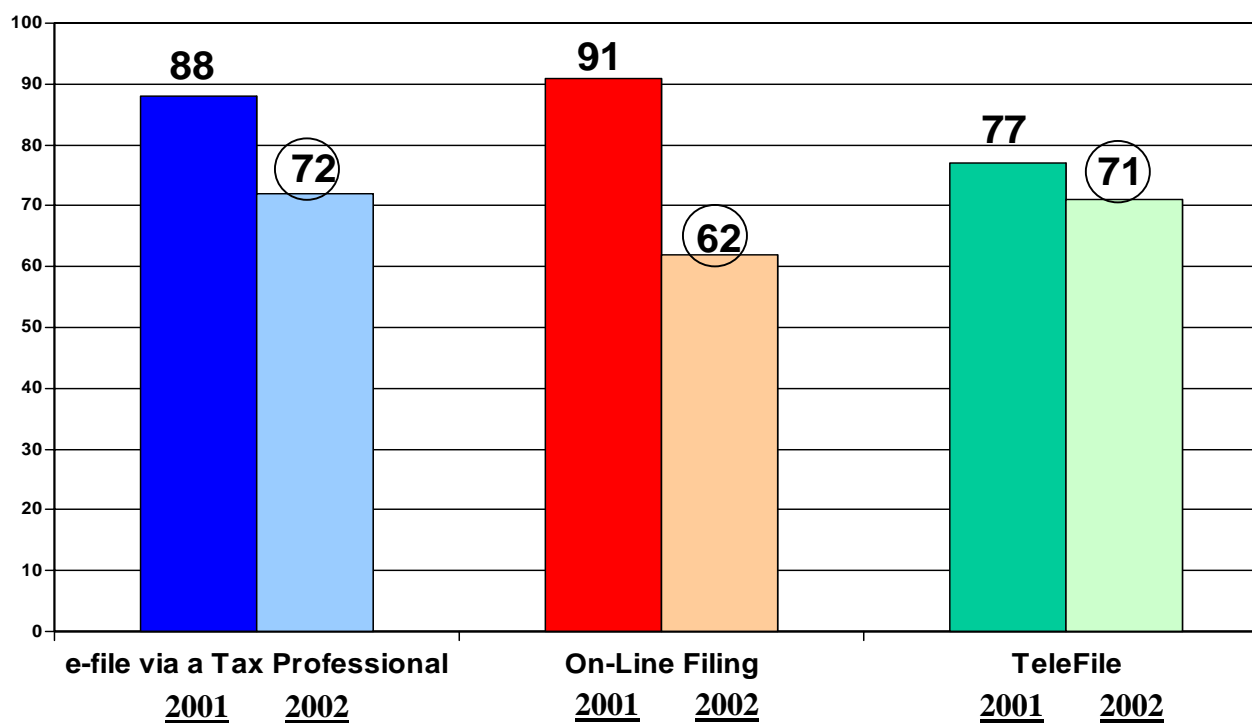
BASE:	<u>Total EFVPP Users</u>				<u>Total On-Line Users</u>				<u>Total TeleFile Users</u>			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	500	502	502	502	500	501	501	502	500	500	503	501
	%	%	%	%	%	%	%	%	%	%	%	%
<u>Recall Of Publications/Forms/Instructions</u>												
Recall Pubs/Forms/Instructions	27	33	29	29	50	51	49	51	73	66	71	66
Do Not Recall Them	73	62	66	66	50	47	46	45	27	30	26	32
<u>Helpfulness Of Pubs/Forms/Instructions</u>												
Base:	(135)	(167)	(144)	(146)	(249)	(254)	(244)	(254)	(367)	(331)	(358)	(330)
Very Helpful	45	38	35	30	30	39	30	36	67	73	72	71
Somewhat Helpful	33	41	34	37	43	39	43	35	27	23	22	25
Not Very Helpful	9	8	10	6	11	9	14	13	3	2	2	2
Not At All Helpful	7	7	10	14	8	8	6	7	1	1	2	1
Don't Know/Don't Recall	7	6	10	13	8	5	8	9	2	1	2	1



User Repeat Rates and TeleFile Migration

Claimed Repeat Use Is Down In The Current Wave...

- In the second year of the migration measure, we see significant decreases in claimed repeat use of each e-file product -- especially for On-Line Filing.



Issue: Why Don't TeleFile Users Migrate To Other Products?

- The main reasons for TeleFile Users not migrating to other e-file products were very similar to those found in past years...

BASE: Total TeleFile Users	Why Not Use <i>EFVPP</i>				Why Not Use <i>On-Line</i>			
	1999	2000	2001	2002	1999	2000	2001	2002
	500	500	503	501	500	500	503	501
	%	%	%	%	%	%	%	%
<u>Total Making Some Suggestion</u>	91	85	86	84	92	87	87	87
<u>Prefer TeleFile -- It's Faster/Easier/Like To Do It Myself (Net)</u>	34	31	26	28	21	21	22	23
<u>Dislike The Optional Product (Paid Prep/On-Line) (Net)</u>	29	27	32	32	12	16	18	16
<u>Don't Trust It/Lack Of Security</u>	2	1	1	1	8	8	10	9
<u>It's Too Complicated/Intimidating</u>	0	0	0	0	2	3	4	3
<u>It Costs Money/You Have To Buy Something</u>	27	26	30	31	2	2	4	4
<u>Did Not Have Access To A PC Then</u>	0	0	0	0	38	31	30	26
<u>Was Not On-Line/On Internet At The Time</u>	0	0	0	0	7	5	5	5
<u>Was Not Aware Of It At The Time</u>	10	2	2	3	8	8	7	7
<u>My Tax Situation/Refund Amount Doesn't Justify Using It</u>	22	19	14	22	3	4	1	3
<u>Don't Know</u>	9	15	14	16	8	13	13	13

- 49% of TeleFile Users said they recalled reading about the other products in their TeleFile booklets (up slightly vs. 44-46% in each of the last two years).



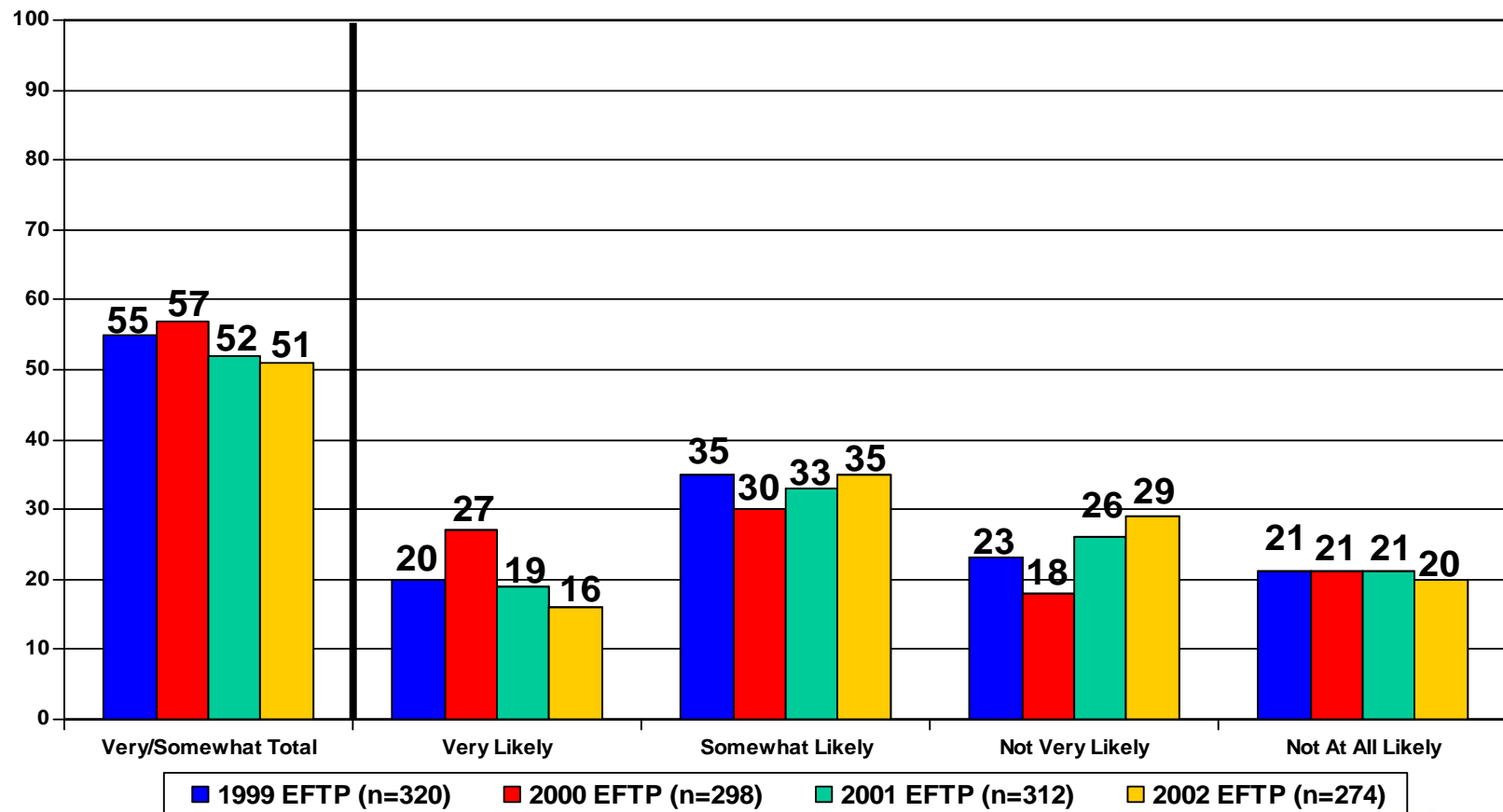
Findings Among Taxpayers Who Do Not Use *e-file*



Non-User Reaction To *e-file* Product Concepts

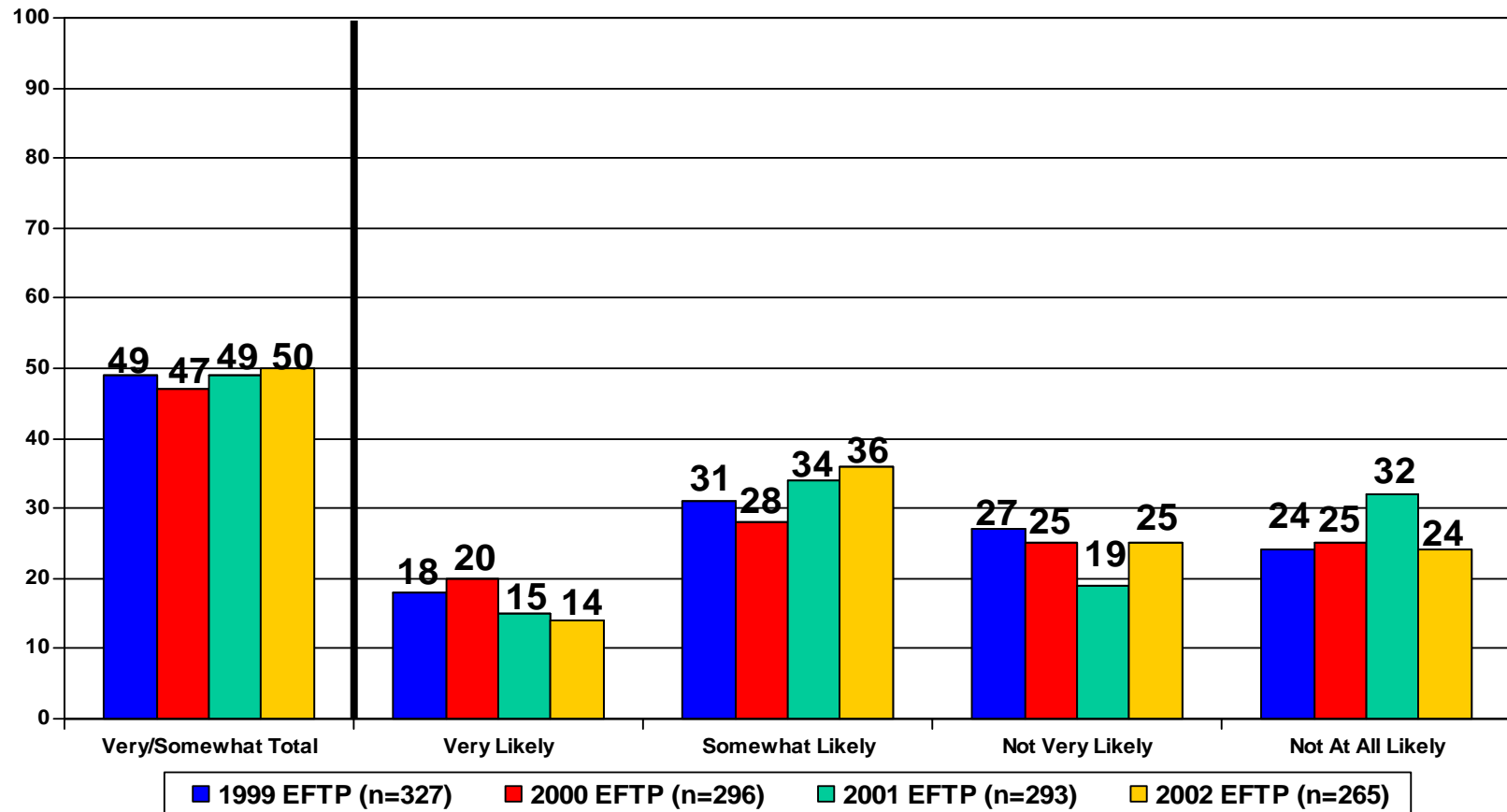
Non-User Likelihood Of Use Of *e-file* via Tax Professional

- Each year, we expose qualified Non-Users to descriptions of the ETA products and ask their likelihood of use. For *e-file* via a Tax Professional, likelihood of use in 2002 **was 51%** -- or just about the same as last year and close to what we've found each year (52-57%).



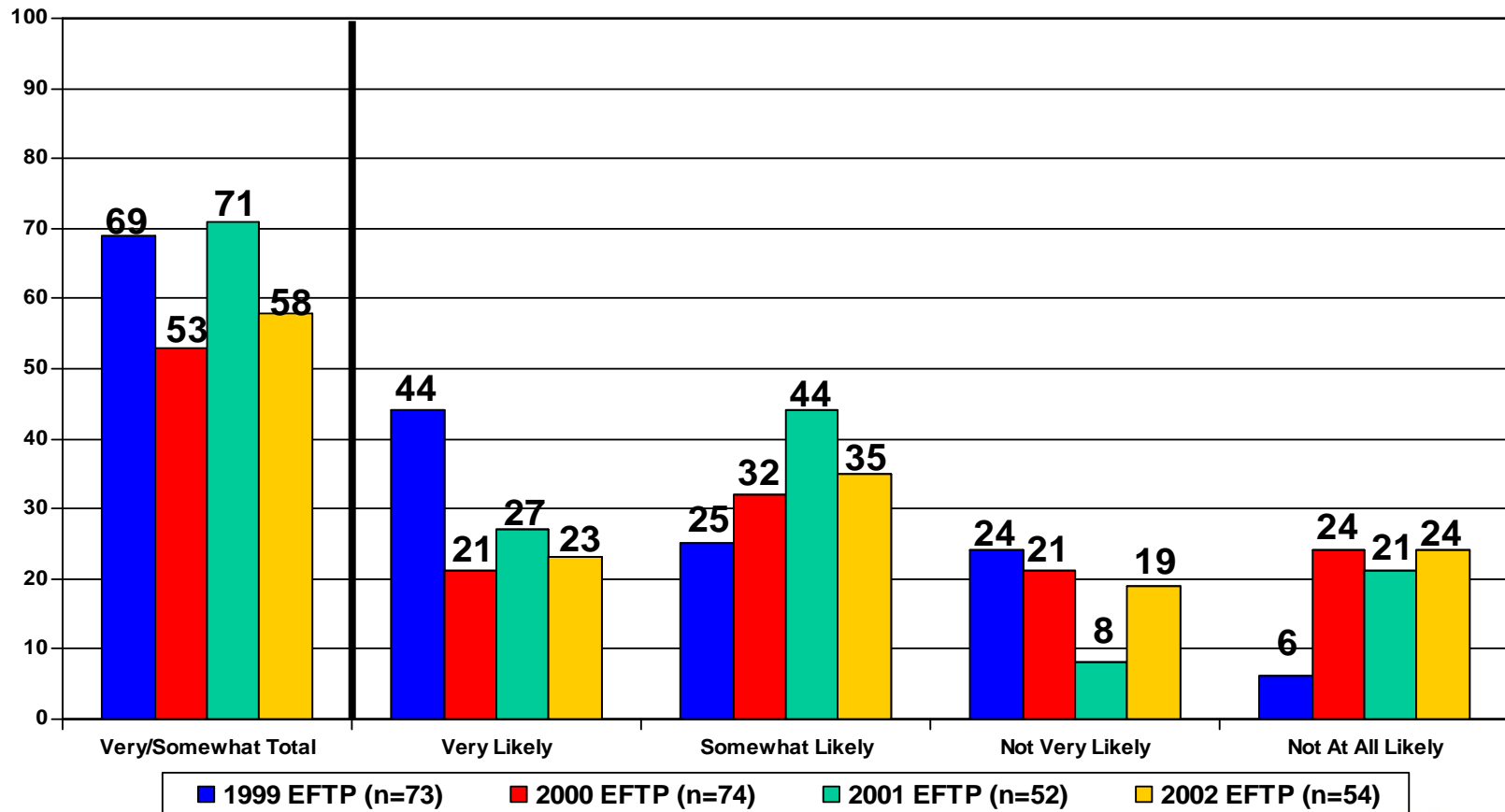
Non-User Likelihood Of Use Of *On-Line Filing*

- For **On-Line Filing**, **likelihood of use in 2002 was 50%** -- also virtually the same as what we found in the past three waves (47-49%).



Non-User Likelihood Of Use Of *TeleFile*

- For TeleFile, the base of qualified Non-Users (self-prepared paper filers who filed 1040EZ) is always low and subject to volatility. As a result, we find **sharp shifts in likelihood of use** for this product from year to year.





Non-User Reasons For Not *e-filing*

What Are The Main Barriers To Use Of e-file?

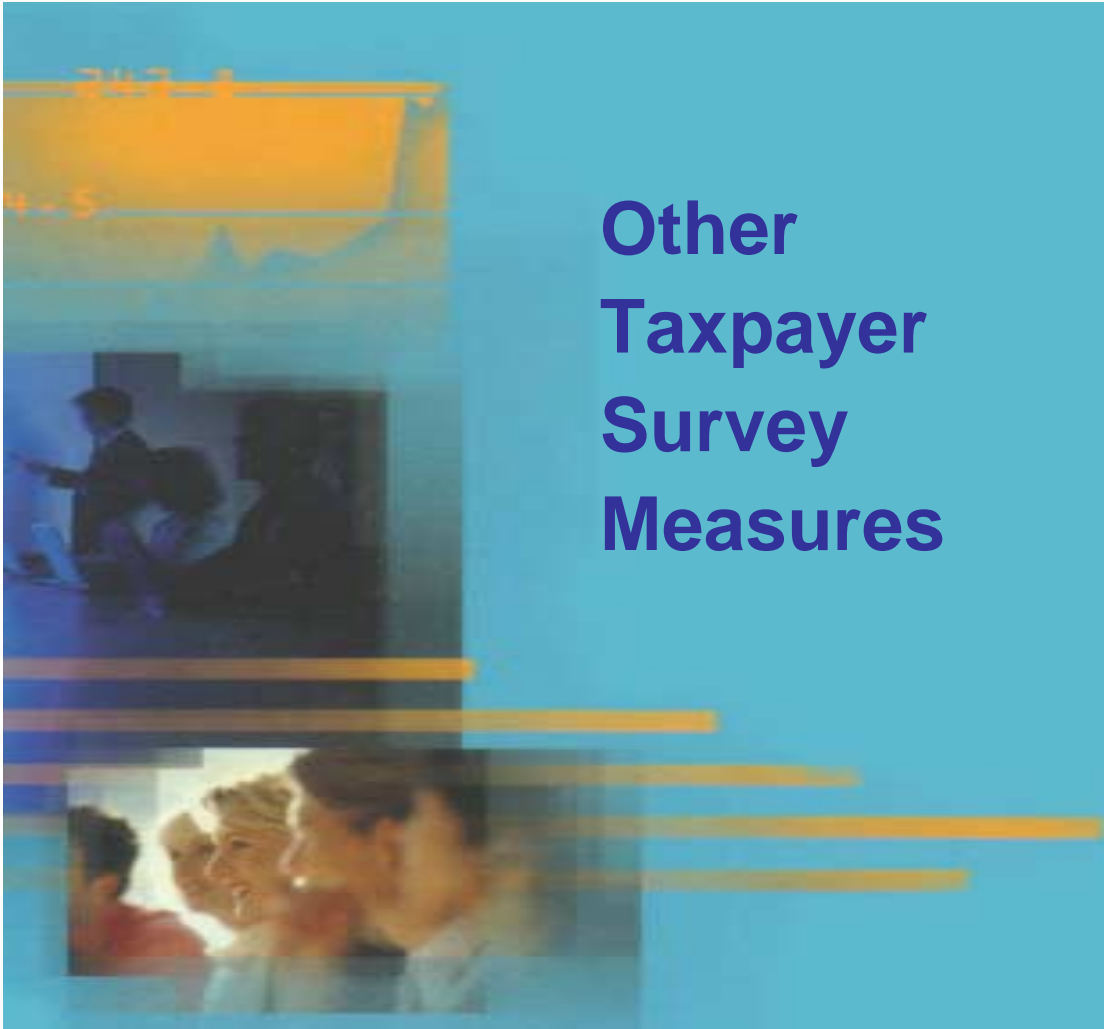
- Non-Users' **reasons** for not using e-file are similar each year and include most of the reasons we found last year in the Barriers research: **lack of knowledge and lack of access to e-filing**, **prefer paper**, **privacy/security**, **cost**, and **not thinking e-file applies to their tax situation**.

BASE:	1999 TOTAL NON-USERS 720 %	2000 TOTAL NON-USERS 668 %	2001 TOTAL NON-USERS 657 %	2002 TOTAL NON-USERS 593 %
<u>Lack Of Knowledge About/Access To e-filing (Net)</u>	<u>43</u>	<u>30</u>	<u>20</u>	<u>22</u>
My Preparer Did Not Offer It As A Choice	21	14	10	12
Don't Have Computer Equipment (PC/Modem/etc.)	12	7	8	9
I Didn't Know I Could File Electronically	6	7	3	4
<u>Perceived Drawbacks Of Electronic Filing (Net)</u>	<u>30</u>	<u>30</u>	<u>29</u>	<u>30</u>
It's Too Expensive	15	12	12	11
Concerned About The Lack Of Privacy/Security	13	13	12	11
Don't Trust It	2	0	0	0
Don't Like Computers	2	1	0	1
It's Too Complicated	1	0	2	2
I Heard It Delays Your Refund	1	1	0	0
<u>Prefer/More Comfortable With Paper Alternatives (Net)</u>	<u>23</u>	<u>21</u>	<u>23</u>	<u>22</u>
Doesn't Apply To My Tax Situation	17	17	7	11

So How Does The IRS Overcome These Barriers?

- **By continuing to address the “lack of knowledge” issue** present in the reasons in the last chart (and in the Barriers research), and by **continuing to emphasize what Non-Users already perceive as strong positive attributes of e-file** -- *speed in filing, speed of refund, accuracy, ease of use, ability to make payments electronically*, and, in the case of On-Line Filing and TeleFile, *low cost*.

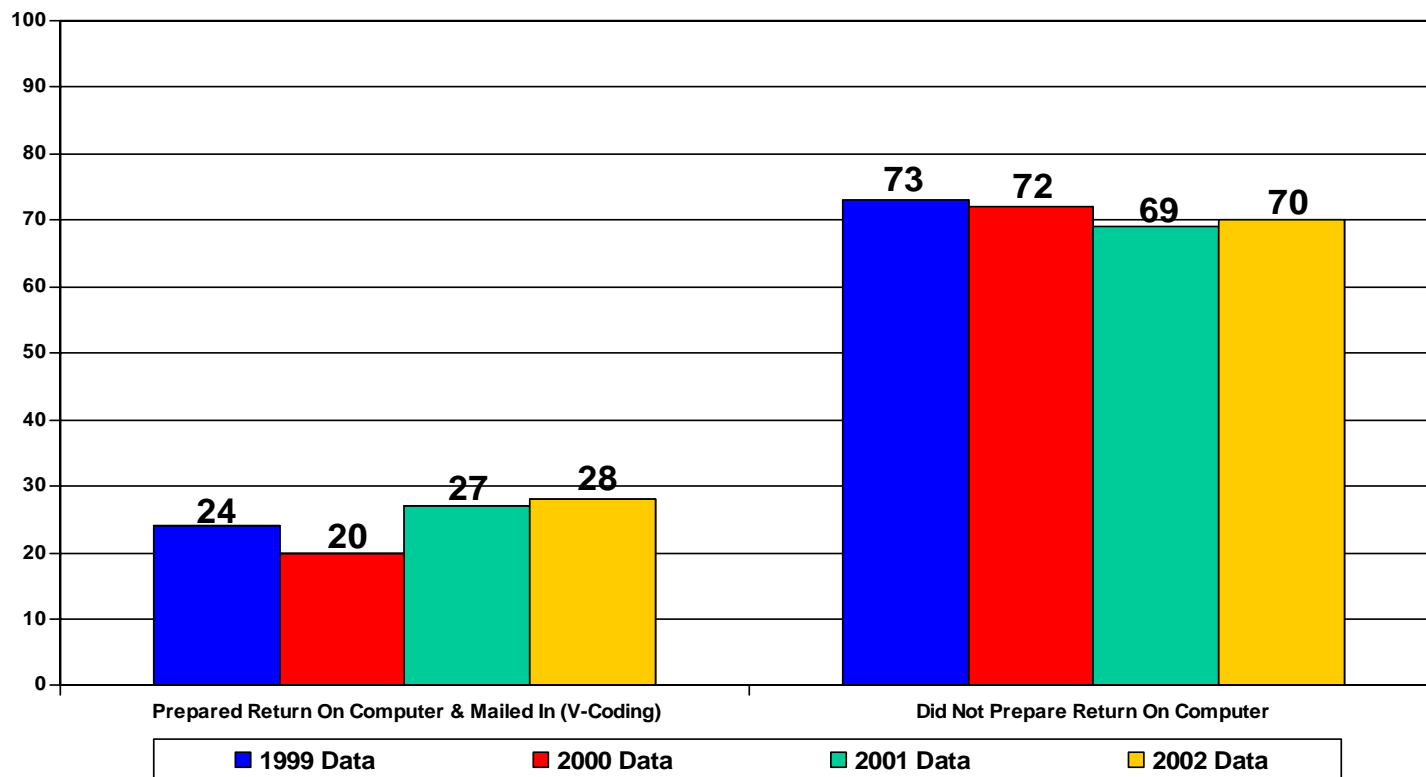
BASE: Total Non-Users Rating Each Product	Total Rated EFTP				Total Rated On-Line				Total Rated TeleFile			
	1999	2000	2001	2002	1999	2000	2001	2002	1999	2000	2001	2002
	320	298	312	274	327	296	293	265	73	74	52	54
	%	%	%	%	%	%	%	%	%	%	%	%
<u>% Agree Completely/Somewhat That Product Would Be...</u>												
A Way To File Return Quickly	90	88	90	89	87	80	86	88	94	87	90	93
A Way To Get Your Refund Faster	89	87	86	89	85	84	87	83	89	86	90	85
An Accurate Way To File Taxes	82	84	85	85	75	73	81	77	79	74	77	74
Easy/With Little Hassle	80	77	80	79	65	62	69	63	89	75	74	73
A Private/Secure Way To File Taxes	61	69	64	70	43	52	54	59	65	58	74	65
Better Than Other Methods Of Filing	58	60	54	60	51	59	52	56	71	56	67	61
An Inexpensive Method Of Filing	40	50	49	53	72	73	76	77	93	85	99	94
Able to Make Tax Payment Electronically	na	80	78	81	na	76	78	68	na	74	80	73



Other Taxpayer Survey Measures

A Substantial Portion of Paper Filers Are Still V-Coding

- Among Paper Return filers, V-Coding (preparing the return on a computer and then mailing it in) reached 28% in 2002 – about the same as last year, but still **up directionally** from the 20% level of 2000.



Why Are They Still V-Coding?

- The main reasons for V-Coding differed somewhat this year, with the top reasons in 2002 being: **cost**, **preferring the paper method**, **privacy/security concerns**, and **not knowing how to transmit electronically**.

	-----Total-----			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
BASE: Total Self-Prepared Paper Filers Using A Computer To Prepare Return	82 %	64 %	70 %	72 %
<u>Cost/Price (Net)</u>	<u>21</u>	<u>19</u>	<u>18</u>	<u>22</u>
You Have To Pay A Filing Charge	16	15	11	10
It Costs Money	5	3	1	0
<u>Lack Of Access To Internet/Appropriate Transmission Software (Net)</u>	<u>18</u>	<u>20</u>	<u>14</u>	<u>1</u>
<u>Other Mentions</u>				
Just Did Not Think About Filing Electronically	15	15	14	8
I Was Not In A Hurry To File/Time Was Not An Issue	14	5	1	3
<u>I Had Security/Privacy Concerns</u>	<u>10</u>	<u>11</u>	<u>15</u>	<u>14</u>
<u>I Just Prefer To Use The Paper Method</u>	<u>6</u>	<u>9</u>	<u>3</u>	<u>15</u>
It's Not Easy To File Electronically, The Software's Difficult	5	1	8	8
Don't Trust Accuracy Of Computer/Transmission	0	0	0	7
<u>Just Didn't Know How To Transmit My Return Electronically</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11</u>

In Other Measures, Internet Access Continues To Increase...

- With significant increases since 1999 in the proportion of Taxpayers with a modem-equipped PC in the household and those with Internet access.

-----Total Random Sample-----				
BASE:	<u>1999</u> 1000 %	<u>2000</u> 1000 %	<u>2001</u> 1000 %	<u>2002</u> 1000 %
<u>Household Ownership Of A PC With Modem</u>				
HH Has A PC With Modem	56	69	73	76
HH Does Not Have A PC With Modem	44	31	27	24
<u>Household Internet Access</u>				
<u>Among Taxpayers With A PC & Modem</u> (n=)	(574)	(701)	(736)	(755)
Have HH Access To Internet Via PC	81	92	94	94
Do Not Have Access To Internet Via PC	19	8	6	6
<u>Extrapolating Internet Access Data</u>				
<u>To All Taxpayers</u> (n=)	(1000)	(1000)	(1000)	(1000)
Have HH Access To Internet Via PC	45	63	69	71
Do Not Have Access To Internet Via PC	55	37	31	29

And We See Again That Non-Users Of e-file Are NOT Internet-Limited

- Each year, our data shows **statistically similar levels of Internet access** among **Non-Users and Users** of e-file.

	----1999----		----2000----		----2001----		----2002----	
	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>
BASE:	280	720	332	668	343	657	407	593
	%	%	%	%	%	%	%	%
<u>Household Ownership Of A PC With Modem</u>								
HH Has A PC With Modem	55	57	64	71	68	75	74	77
HH Does Not Have A PC With Modem	46	43	36	29	32	25	26	23
<u>Household Internet Access</u>								
<u>Among Taxpayers With A PC & Modem</u> (n=)	(165)	(409)	(226)	(475)	(243)	(493)	(305)	(450)
Have HH Access To Internet Via PC	80	81	94	91	95	94	92	95
Do Not Have Access To Internet Via PC	20	19	6	9	5	6	8	5
<u>Extrapolating Internet Access Data</u>								
<u>To All Taxpayers</u> (n=)	(280)	(720)	(332)	(668)	(343)	(657)	(407)	(593)
Have HH Access To Internet Via PC	44	46	60	65	65	71	69	72
Do Not Have Access To Internet Via PC	56	54	40	35	35	29	31	28

In New Profiling Measures Added To The 2002 Wave...

- We see clear differences between Non-Users and Users of each e-file product in terms of attachment of additional forms/schedules to the return, whether they get a refund or not, how balances due were paid, and how they received refunds.

BASE:	Total Non- Users	EFTP Users	On-Line Users	TeleFile Users
	593	502	502	501
	%	%	%	%
<u>Additional Forms/Attachments Filed</u>				
Form 2106 – The Business Expense Form	21	24	18	0
Schedule “C”	26	20	30	0
Schedule “E”	11	6	13	0
Schedule “F”	2	3	3	0
<u>Result of Tax Filing</u>				
Balance Due To The IRS	28	9	9	6
Received A Refund	66	84	88	91
Had A Zero Balance	4	3	1	2
<u>How Paid the Balance Due</u>				
Automatic Withdrawal from a Checking/Savings	2	11	26	3
Credit Card	2	0	13	3
Wrote A Check	94	79	59	88
<u>Method of Receiving Refund</u>				
Direct Deposit to Checking/Savings	29	43	77	37
Received A Check From The IRS	68	55	22	62

Finally, e-file Users & Non-Users Still Differ Demographically

- Demographic data continue to show differences among Users and Non-Users -- with current **Non-Users** being **older**, with **fewer children living at home**, **more likely to be married**, and **higher in HH income**.

	----1999----		----2000----		----2001----		----2002----	
	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>
BASE:	280	720	332	668	343	657	407	593
	%	%	%	%	%	%	%	%
<u>Gender</u>								
Male	42	48	45	52	40	47	47	48
Female	58	52	55	48	60	53	53	52
<u>Age</u>								
Average Age	37	41	37	41	37	42	38	43
<u>Average HH Size</u>	3.1	3.1	3.0	3.0	2.9	2.9	3.0	2.8
<u>% With Children</u>	52	52	54	48	54	47	56	44
<u>% Married</u>	44	67	47	64	48	65	53	62
<u>% With College Education</u>	61	63	50	69	59	64	59	65
<u>Median HH Income (000)</u>	\$39	\$51	\$39	\$54	\$41	\$58	\$45	\$54



Findings Among Preparers



Profiling *e-file* Users vs. Non-Users

As In Past Waves, We See Clear Differences By *e-file* Usage...

- With **Users reporting a larger volume of returns** (of which 29% were *e-file*, down from 2001 -- possibly because of entry into *e-filing* of “new” Preparers as *e-file* grows).
- **The 2002 Non-Users had a significantly lower average total returns this year than last** -- this may be due to the change in source list for this cell in this wave.

	----1999----		----2000----		----2001----		----2002----	
	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>
BASE:	501	504	499	358	502	180	501	500
	%	%	%	%	%	%	%	%
MEDIAN DATA ONLY:								
<u># Returns Filed In 2001</u>	210	125	326	227	278	183	243	78
<u>Avg. % Of 2001 Returns That Were <i>e-file</i></u>	39	0	39	0	33	0	29	0
<u>% Of 2001 Returns Being Individual Returns</u>	95	89	91	83	92	82	87	89
<u>% Of 2001 Returns Being Business Returns</u>	5	11	15	23	14	24	19	19

Once Again, Users Have More Involvement With IRS

- As in past waves, we see that **Users are more likely to use the IRS' Digital Daily Website** (especially this year, with lower Internet access among the differently-sourced Non-User sample). Users also **have greater contact with the IRS generally**.

	<u>1999</u>		<u>2000</u>		<u>2001</u>		<u>2002</u>	
	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>
BASE:	501	504	499	358	502	180	501	500
	%	%	%	%	%	%	%	%
<u>% With Access To The Internet</u>	93	85	96	93	97	99	98	86
(New Base: Have Access To The Internet)	(464)	(430)	(477)	(335)	(486)	(178)	(490)	(432)
<u>% Who Access The IRS' Digital Daily Website</u>	67	56	67	56	74	65	78	61
<u>Type Of IRS Contact Preferred</u>								
Remote Contact Through A Practitioner Or Call Site	34	39	57	62	65	65	57	53
Walk-In, Face-To-Face Contact	14	16	11	9	12	17	12	17
No Preference	52	45	32	29	23	18	31	31
<u>How They Currently Get Info From The IRS</u>								
Through The Mail	68	68	79	73	76	76	71	59
Over The Internet	61	52	64	56	74	62	77	59
By Telephone	54	55	63	63	68	67	59	52
At Seminars/Conferences	52	44	57	44	61	42	57	33
Tax/Accounting Firm Provides The Information	30	16	41	45	27	25	15	14
From Visiting IRS Representatives	17	17	24	17	22	24	19	15

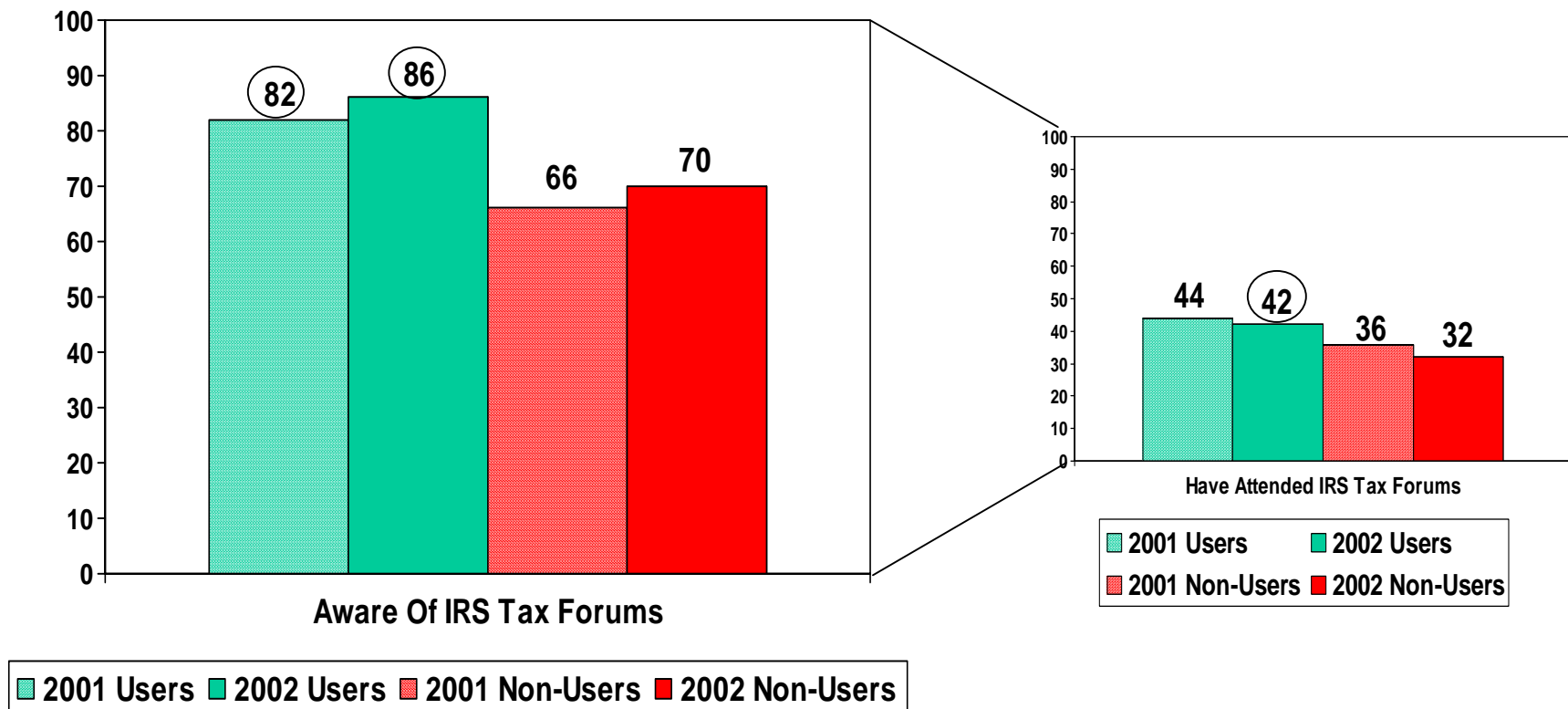
Users Are Also More *Involved* In *e-filing*

- The vast majority of Users (80%+ each year) say their clients request electronic filing (vs. only 37% in 2002 among the differently-sourced Non-Users).
- As a result, Users seem to approach e-file more as a product -- with 8 in 10 of them saying each year that they offer e-file without it being requested and with almost half each year saying they offer *e-file* free for Individual returns.

	<u>1999</u>		<u>2000</u>		<u>2001</u>		<u>2002</u>	
	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>	<u>Users</u>	<u>Non-Users</u>
BASE:	501	504	499	358	502	180	501	500
	%	%	%	%	%	%	%	%
<u>Do Taxpayers Request e-file/Electronic Filing Services</u>	(89)	57	(87)	63	(86)	57	(80)	37
(New Base: Preparers Whose Clients Request e-file)	(501)	(na)	(499)	(na)	(502)	(na)	(501)	(na)
<u>Among Users Only:</u>								
<u>Is e-file Offered w/o Request?</u>								
Yes	88	na	83	na	82	na	80	na
No	12	na	17	na	18	na	20	na
<u>Among Users Only:</u>								
<u>Do You Offer Free Electronic Filing For Individual Returns</u>	46	na	51	na	45	na	43	na

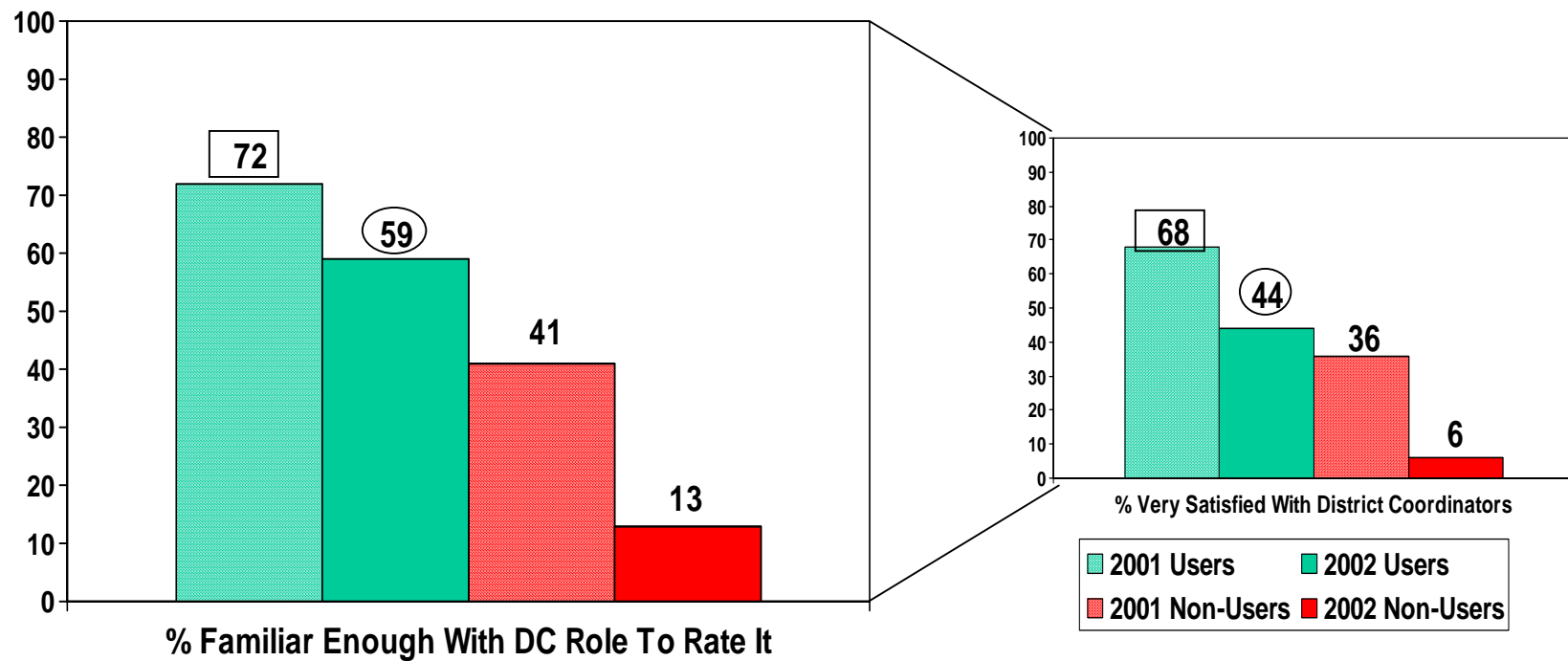
In Other Evidence Of User Involvement With The IRS...

- **Users are significantly more likely to be aware of the Nationwide Tax Forums** held by the IRS, and they are **more likely to have attended** one of the forums.



In Addition, Users Are...

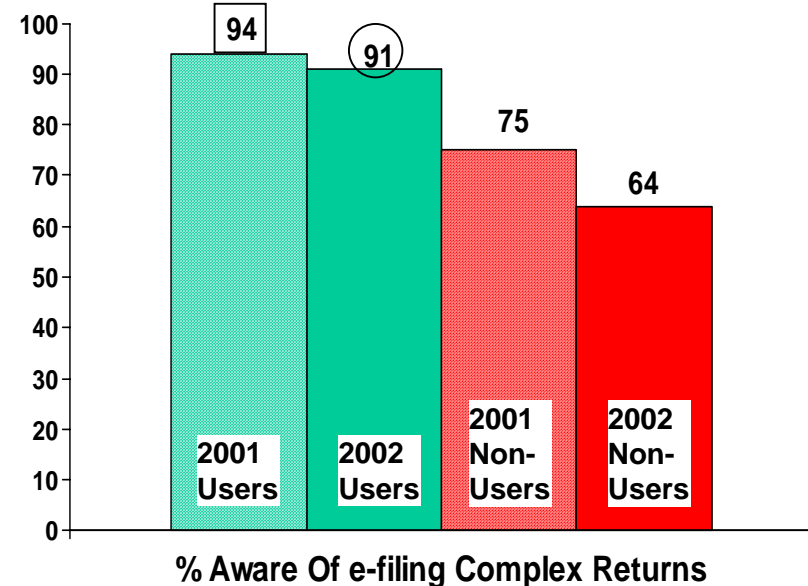
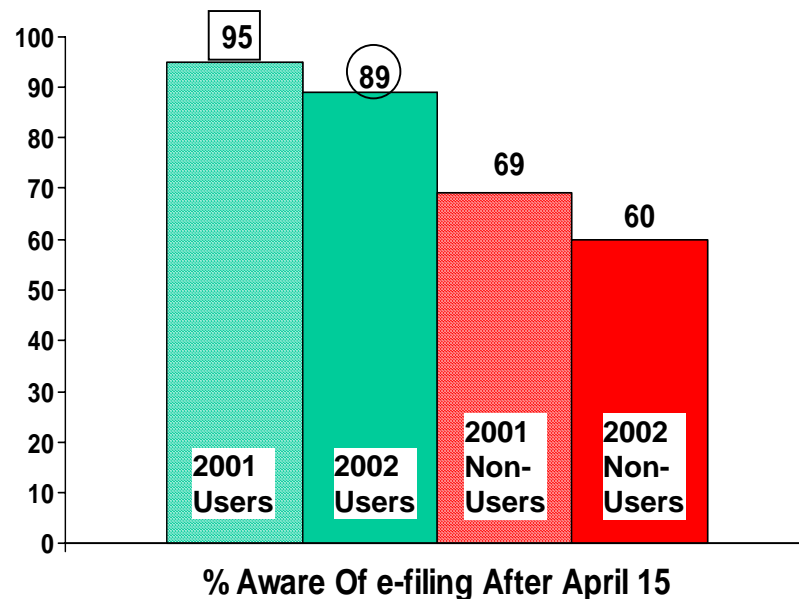
- **More aware of IRS District Coordinators** -- and more likely to be **satisfied with the assistance they get from the District Coordinators.**



2001 Users 2002 Users 2001 Non-Users 2002 Non-Users

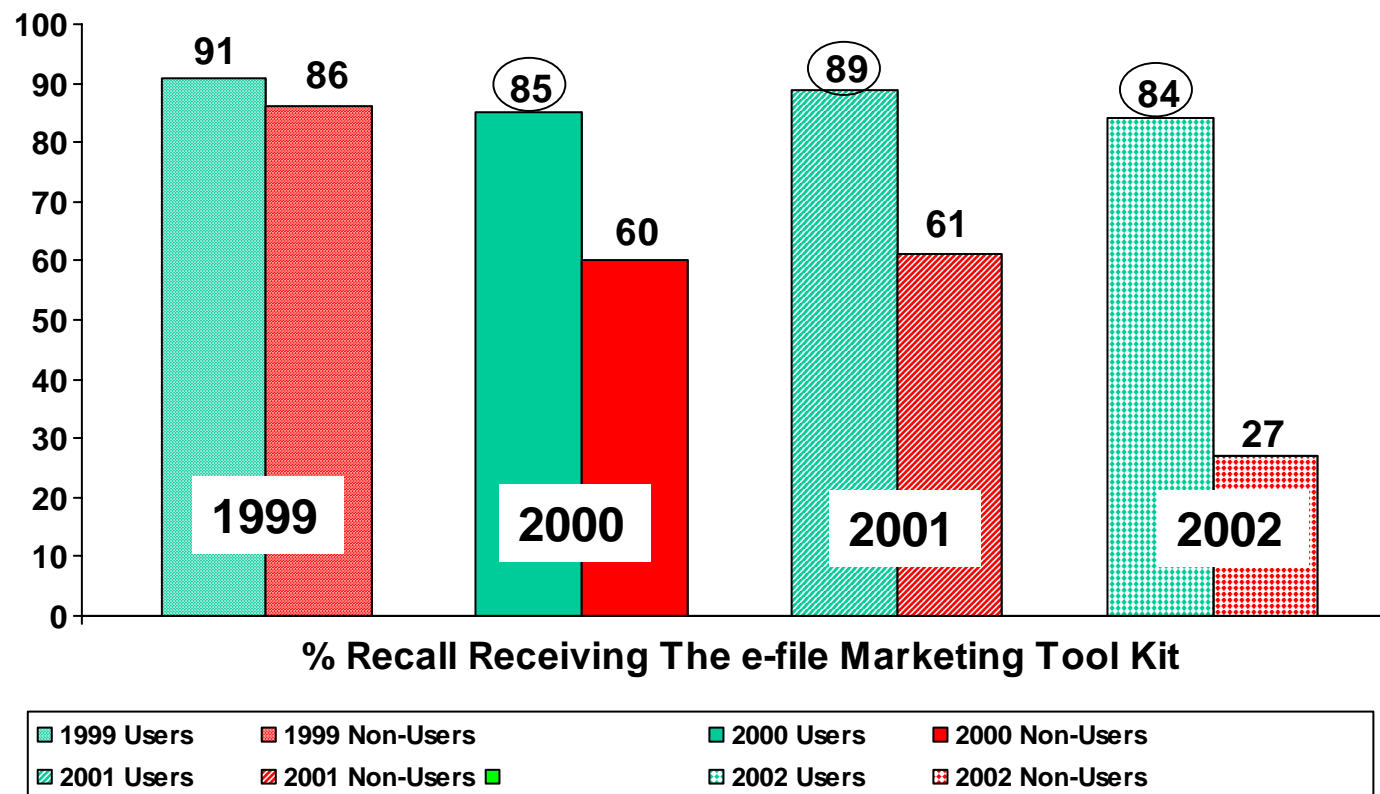
Users Are Also More Aware Of The Details Of The e-file Program

- As we found last year, Users are significantly more aware than Non-Users that they can e-file after April 15th and that they can file complex returns using e-file.



Finally, Users Are More Likely To Recall The e-file Marketing Tool Kit...

- **Especially in the past three waves** – when the level of recall of the Kit among Users was significantly higher than that of Non-Users. *Note the drop in Non-User recall after 1999.*

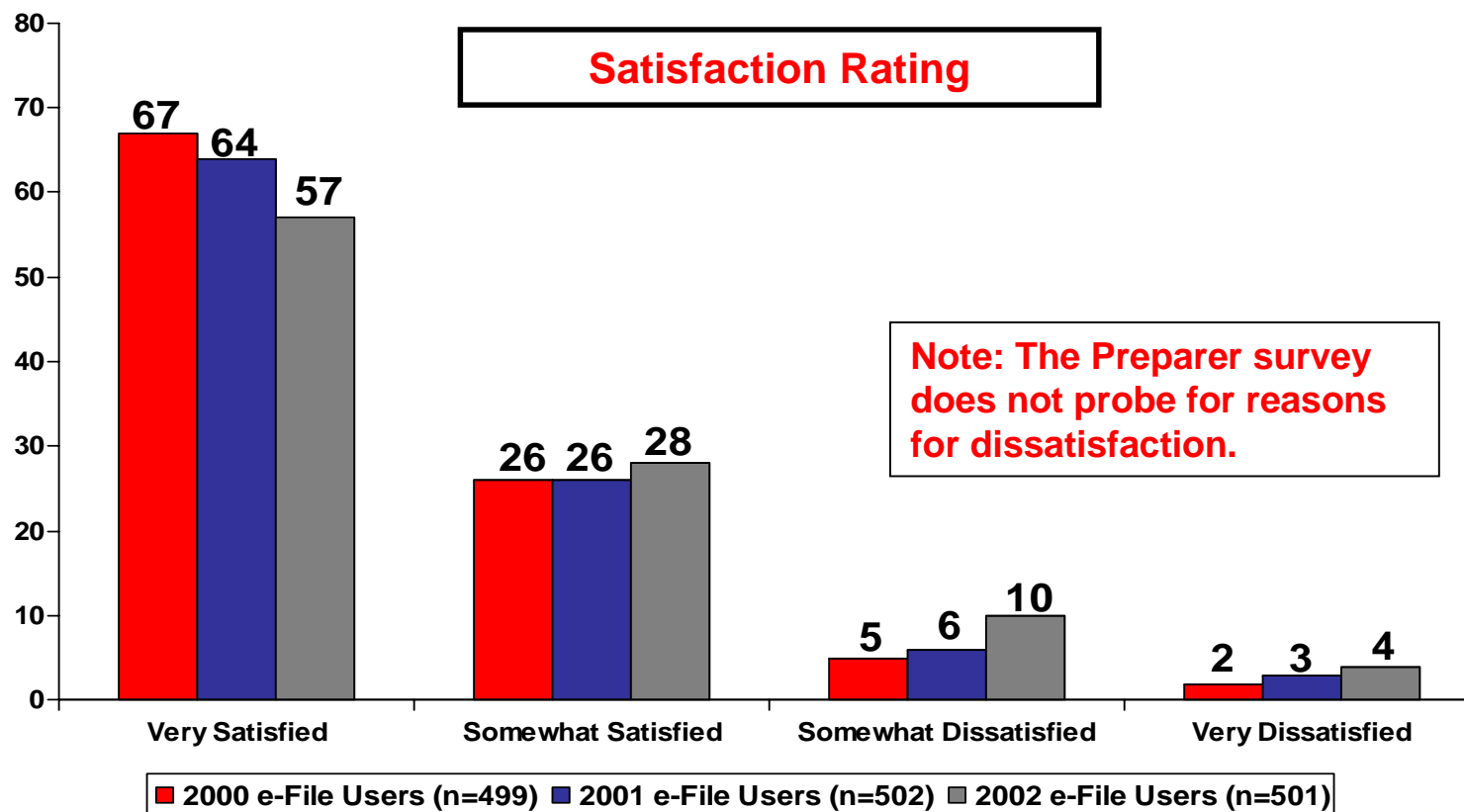





User Satisfaction With *e-file* Products

Users Continue To Show Strong Satisfaction With IRS e-file

- While the vast majority of Users this year (85%) were satisfied with the program, we do see a significant decrease in the top box satisfaction rating (very satisfied) in 2002 -- with corresponding increases in lower rating points.





User Involvement In & Reaction To The IRS' *e-file* Program

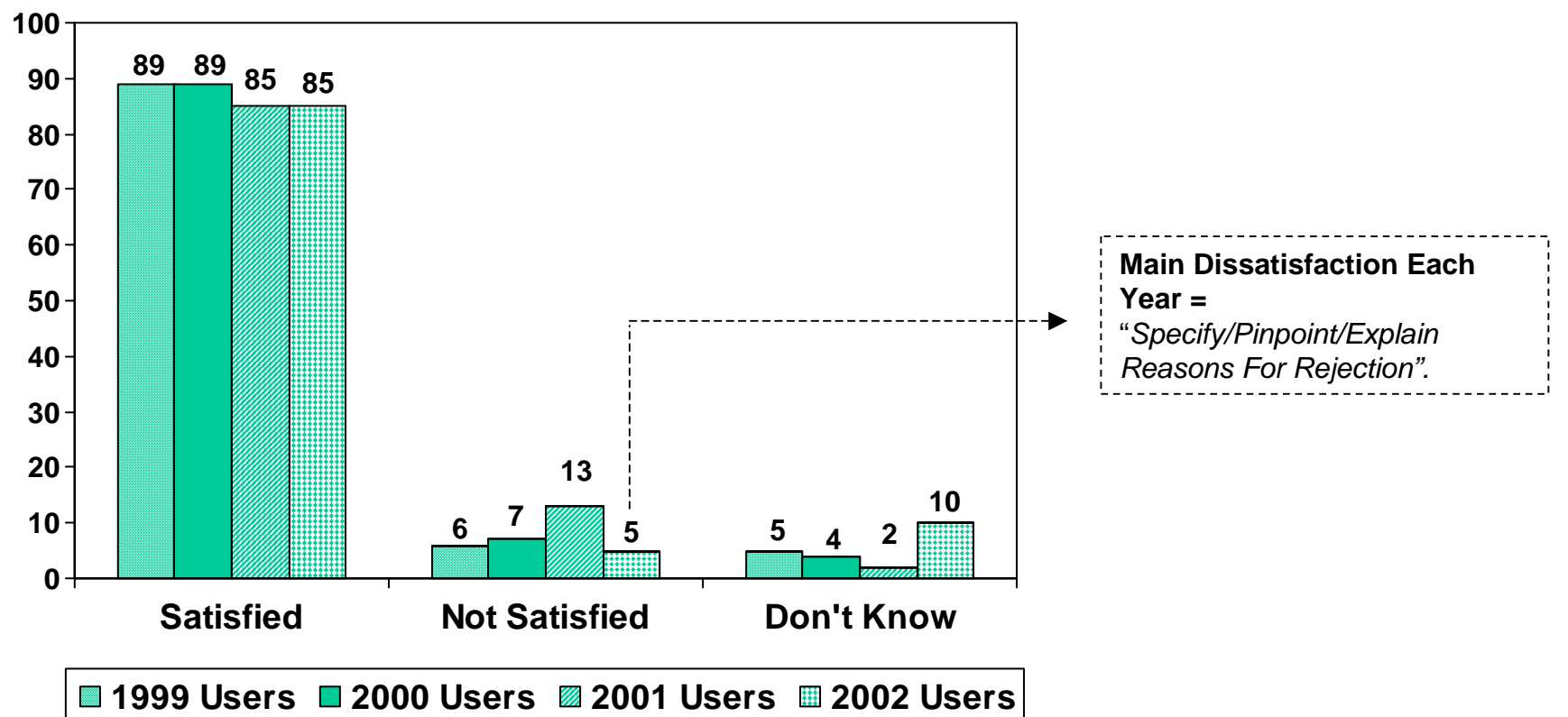
Still, Users See Clear Benefits To Participation In The e-file Program

- The benefits which bring a Preparer into the e-file program are the same benefits which keep them in the program -- customers liking e-file, speed, a perception that e-file “is the future”, it keeps costs down, and (for this year specifically) ease/convenience and helps me keep up with the competition.

	What Brings Users To The e-file Program				What Keeps Users In The e-file Program			
BASE:	1999	2000	2001	2002	1999	2000	2001	2002
	501	499	502	501	501	499	502	501
	%	%	%	%	%	%	%	%
Customers Like Service/Request It	27	20	27	25	39	30	39	35
Provides Good Customer Service	11	4	7	3	13	4	9	5
Ease/Convenience	6	6	7	17	8	6	6	20
Like The Speed Of The Process	28	16	16	11	22	16	17	7
Like The Speed & Accuracy Of The Refunds	25	15	19	14	22	15	19	11
It's The Future	20	17	20	18	17	17	17	19
Helps Me Keep Up With Competition	14	3	1	11	9	3	1	11
Increases Revenue	8	5	4	4	11	5	3	3
Reduces Supply Costs/Paperwork w/ Repeat Customers	14	11	12	10	14	11	15	11
Like The Accuracy Of The Software	12	7	7	6	10	7	6	5

85% Say They Are Satisfied With IRS Tracking Of Reject Rates...

- With the level of “not satisfied” decreasing sharply this year – from 13% in 2001 to 5% currently. The main reason for dissatisfaction was the same -- a desire for more explanation of rejects.





User Recall & Reaction To Form 8633

The Users Recall & Seem Generally Satisfied With Form 8633

- Recall of Form 8633 was still high at 87%, and while about one-fifth of Users still needed assistance with the form, there were fewer specific suggestions for improving it.

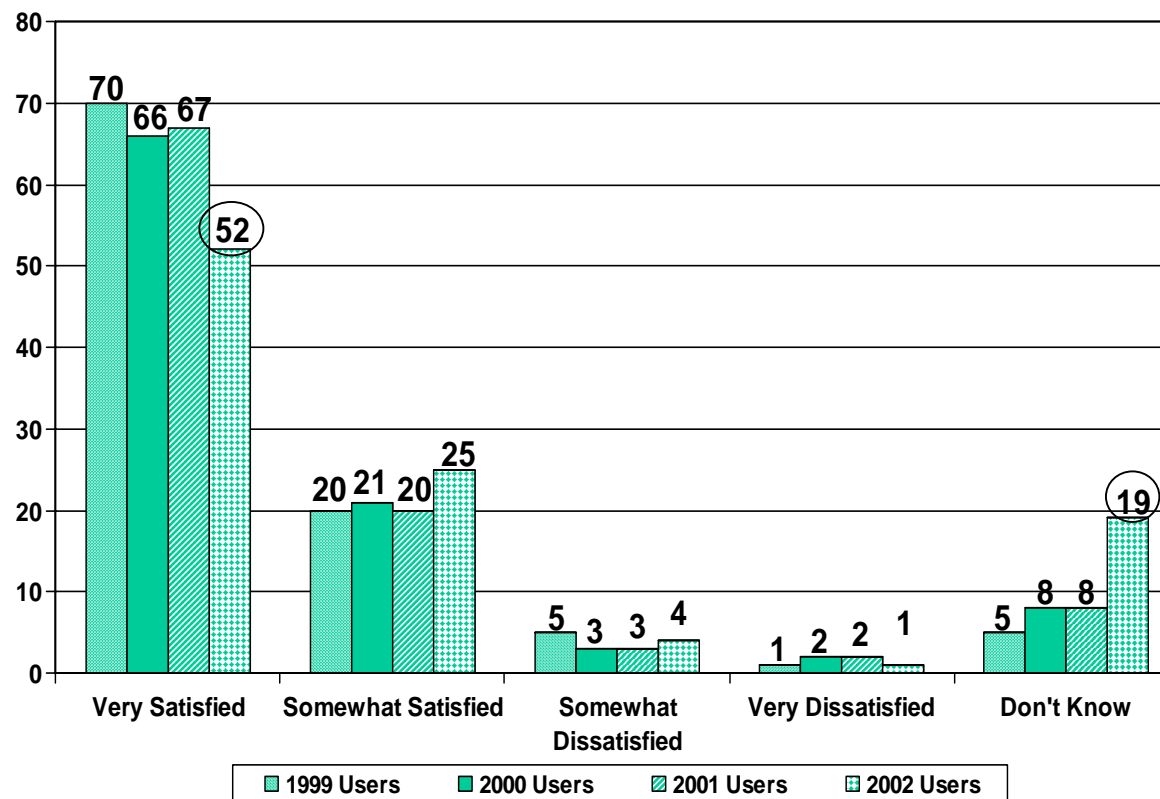
	<u>e-file Users</u> <u>1999</u>	<u>e-file Users</u> <u>2000</u>	<u>e-file Users</u> <u>2001</u>	<u>e-file Users</u> <u>2002</u>
BASE:	501 %	499 %	502 %	501 %
Recall Form 8633	89	80	85	87
NEW BASE -- RECALL FORM:	(446)	(397)	(426)	(437)
Average # Minutes It Took To Complete Form	~37 mins	~37 mins	~37 mins	~38 mins
<u>% Did Not Need Assistance With "How To Complete The Form"</u>	<u>87</u>	<u>86</u>	<u>78</u>	<u>78</u>
<u>% Needed Assistance With "How To Complete The Form"</u>	<u>13</u>	<u>12</u>	<u>22</u>	<u>22</u>
Needed Help With Transmission Information	5	7	15	17
Needed Help With Drop-Off Collection Points	4	5	10	11
Needed Help With "Principals Of Your Firm Or Organization"	4	6	9	13
<u>No Suggestions For Improvement In Form 8633</u>	<u>71</u>	<u>76</u>	<u>77</u>	<u>79</u>
<u>Suggestions For Improvement In The Form</u>	<u>29</u>	<u>24</u>	<u>23</u>	<u>21</u>
Explain/Define Terms More	7	2	5	2
Shorten/Simplify The Format	6	2	5	2
Simple/More Concise Wording, Language	5	3	3	6
Send Form Electronically	1	4	1	1
<u>Willing To Put e-mail Address On Form 8633</u>	<u>81</u>	<u>81</u>	<u>81</u>	<u>72</u>



Other Measures Among *e-file* Users

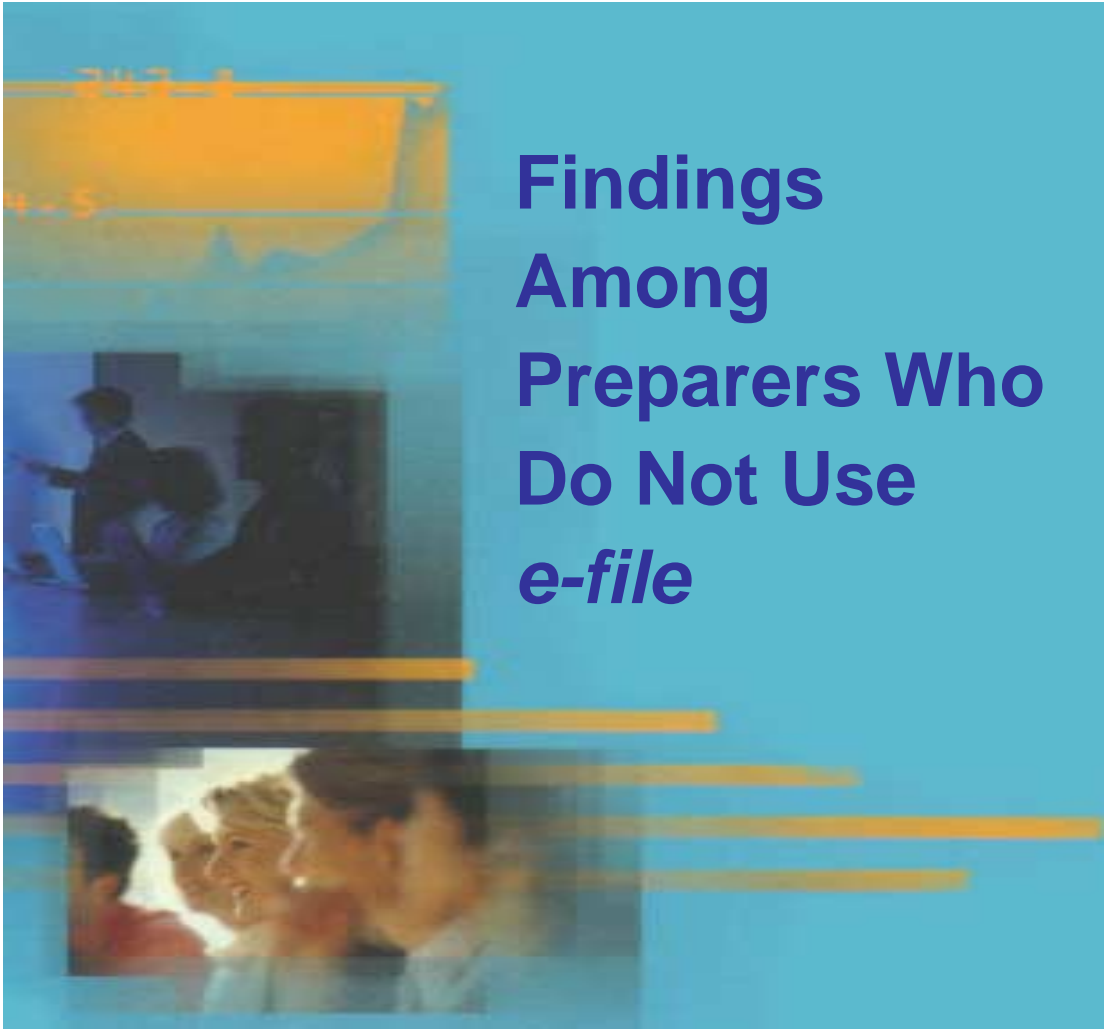
Users Are Generally Satisfied With The Suitability Process

- While ratings of “very satisfied” with the Suitability process dropped sharply this year among Users, most of the difference went into the “don’t know” column – with no real increase in dissatisfaction. Top points of dissatisfaction were the same as last year and are shown in the box to the right.



Main Reasons Why Not “Very” Satisfied In 2002

- Didn't Know EFIN Was Activated Until January Processing Start-Up
- Knew EFIN Was Activated, But Could Not Transmit
- Called Andover Service Center About Suitability Standing, But Could Not Get An Answer
- Too Time Consuming
- Dislike Fingerprint Process



Findings Among Preparers Who Do Not Use *e-file*




Non-User Dislikes Of The *e-file* Program

Why Are Non-Users Not As Involved In The e-file Program?

- We ask Non-Users for their dislikes of the *e-file* program and, while about three-fourths mention something each year, **the only outstanding dislike which has emerged across the four waves** relates to Non-Users believing **e-file involves too much work or is complicated/difficult to learn** and claiming that there is a **lack of client demand**.

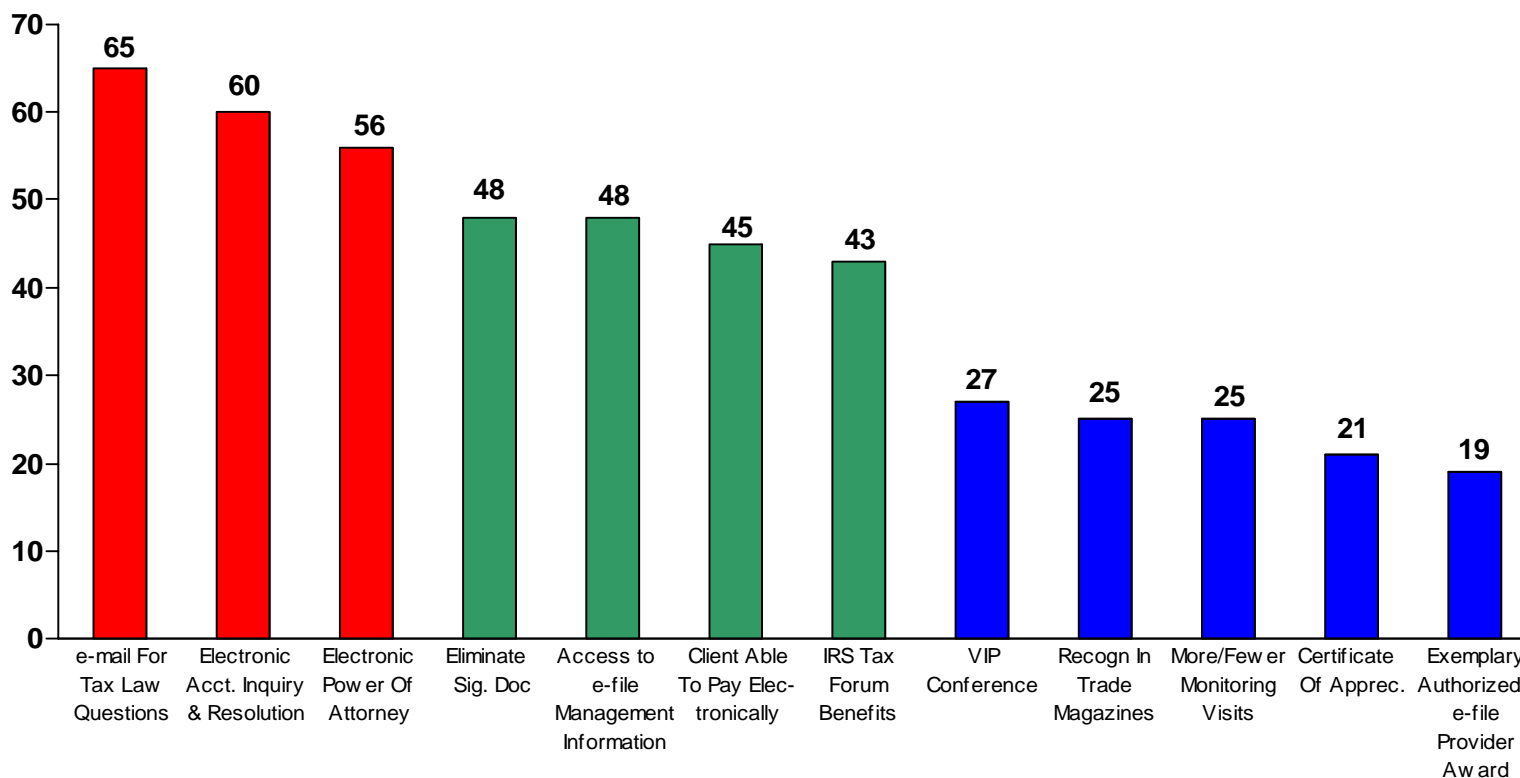
BASE:	1999 <u>e-file NON- USERS</u> 504 %	2000 <u>e-file NON- USERS</u> 358 %	2001 <u>e-file NON- USERS</u> 180 %	2002 <u>e-file NON- USERS</u> 500 %
<u>Dislike Something</u>	<u>51</u>	<u>72</u>	<u>74</u>	<u>74</u>
<u>Too Much Work/Too Difficult</u>	<u>17</u>	<u>26</u>	<u>33</u>	<u>22</u>
Causes Too Much Work	7	12	6	7
It's Too Complicated/Difficult	6	11	8	4
It's Difficult To Get Started/To Learn How To Do It	4	3	4	3
<u>My Clients Don't Ask For/Want It</u>	<u>6</u>	<u>10</u>	<u>8</u>	<u>14</u>
The Fees Are Too Expensive	11	5	3	9
It's Not User-Friendly/Full Of Problems	3	4	2	1
There's Trouble In Transmissions	2	4	0	1
The Software Costs Too Much	6	3	1	2



Non-User Interest In Incentives, Awards & Services

Non-Users Are More Interested In Functional Incentives

- Finally, in terms of how the IRS can interest Non-Users in use of *e-file*, we found **higher interest in 2002 in several of the purely functional/practical incentives**, with clearly lower interest in emotional incentives such as recognition/certificates/awards.





Summary And Conclusions From The 2002 Wave Of Satisfaction Research

What Did We Learn About Taxpayers & e-file?

Overall, we saw very little change from last year...

1. There was again high satisfaction with e-file among Users (about 80%+ for each product).
2. But, still, a need for improvement. For...
 - e-file via a Tax Professional -- make it less expensive.
 - On-Line Filing -- make it simpler/easier and less expensive.
 - TeleFile -- expand the qualification for it.
 - For all products –
 - Continue to improve public perceptions of accuracy and privacy/security.

What Did We Learn About Taxpayers & e-file? (Cont'd.)

3. Among Non-Users, who are skeptical of *e-file*, main barriers to use were similar to those we found in past waves of Satisfaction research and in the related Barriers research -- lack of knowledge and access, followed by cost and trust/privacy/security issues.
4. As needs for improvement and barriers are addressed, it must be kept in mind that the ETA products also have clear perceptual strengths which should be supported – speed, ease of use, and accuracy, and (in learning from the latest wave) ability to make payments electronically.
5. There continues to be a high level of V-Coding (28% among Paper Filers) -- though this IS being addressed by current communications.
6. Finally for Taxpayers, we continue to see increases in HH Internet access – which seems promising in terms of future use of *e-file*.

What Did We Learn About Tax Preparers & e-file?

1. Preparer results were also similar to last year, with clear differences between e-file Users and Non-Users in terms of volume of filings and level of involvement with the IRS.
2. Users and Non-Users still have very different levels of involvement in the e-file program -- with Users more likely to see e-file as a product and more likely to be aware of the details of the e-file program.
 - While overall User satisfaction with e-file was very similar to what we found last year (85% satisfied), the top-box “very satisfied” score was lower.
3. We saw again that the same drivers which bring Users into the program also keep them there – these are: *customers liking it, speed, keeps costs down, ease/convenience, along with a sense that e-file is “the future” and that it “helps (them) keep up with the competition”.*

What Did We Learn About Tax Preparers & e-file? (Cont'd.)

4. In analyzing why Non-Users are not using e-file, we again feel that non-usage is due to a combination of factors –
 1. *Who they are -- they're smaller-volume Preparers.*
 2. *Their lower involvement with the IRS.*
 3. *Their lack of understanding of e-file.*
 4. *And their perception that it means more work for them.*
5. Finally, in terms of how the IRS can interest Non-Users in use of e-file, we found highest interest in the more functional/practical incentives that we presented to them (*e-mail For Tax Law Questions, Electronic Account Inquiry & Resolution, and Electronic Power Of Attorney*) -- with far lower interest in the more emotional incentives of awards, certificates, and recognition.



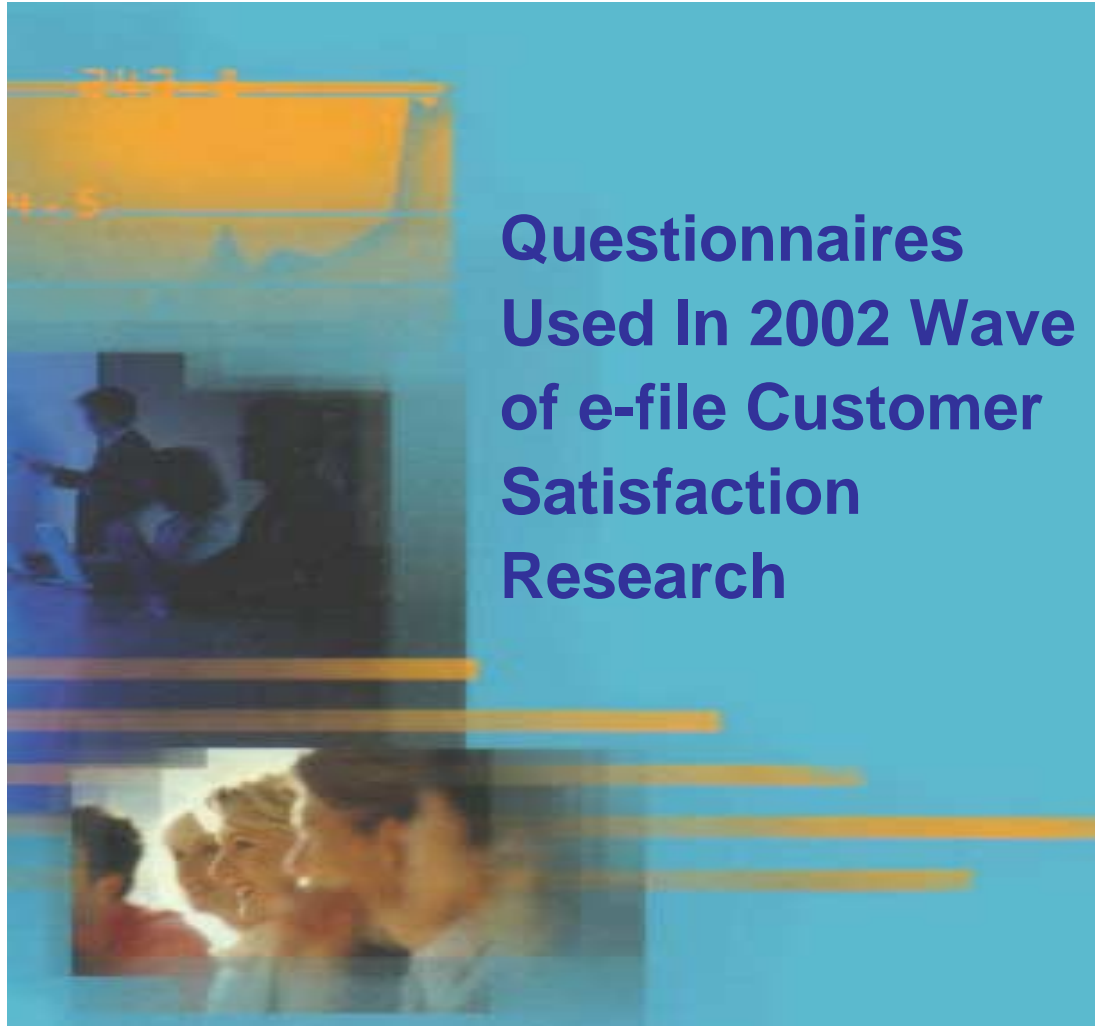
Methodological Appendix

Methodological Appendix

- Each wave of the study is conducted by telephone from RMR's national interviewing facility in Wayne, NJ and consists of...
 - Separate samples of Taxpayers and Preparers...
 - **Taxpayers**: a nationally representative Random Sample of approximately 1000 U.S. Taxpayers each year, drawn from a computer-generated random digit dialing (RDD) sample of listed and unlisted telephone households.
 - ◆ The Random Sample in 2002 yielded a total of 407 *e-file* Users across the three *e-file* products.
 - ◆ The User group for each ETA product was then augmented to assure readable samples of approximately 500 Users of each e-file product type.
 - **Preparers**: a total of 1001 Preparers were interviewed from lists provided by the IRS, with Users drawn from the Applicants Database while Non-Users were drawn from both the ADB and the IRS's Master File of Practitioners..
 - ◆ 501 of the sample were *e-file* Users.
 - ◆ And 500 were *e-file* Non-Users.
- This wave of the study was conducted during the period of January 28 to March 5, 2002.

Methodological Appendix (Cont'd.)

- Taxpayers interviews are conducted during evening hours (5--9 p.m. in each time zone), with the interview averaging about 15 minutes per respondent.
- Preparer interviews are conducted during daytime/business hours (10 a.m. -- 5 p.m. in each time zone) and also average about 15 minutes each.
- To qualify for the study...
 - Taxpayers have to be ages 18-64, employed, and must have filed taxes in the previous tax year (in this year's case -- 2001 for tax year 2000).
 - Preparers have to simply be active preparers who are either Users or Non-Users of *e-file* products.
- To assure that the survey is representative of each target audience, a high rate of response is achieved:
 - 64% in the case of Taxpayers.
 - And 69% in the case of Preparers.
- In addition, Random Sample data are weighted to reflect the previous year's tax filing patterns by filing method. Note: the reported use of filing methods in the survey tends to be naturally close to actual patterns, so weights have only a very minor effect on data.



Questionnaires Used In 2002 Wave of e-file Customer Satisfaction Research